

# FINANCIAL TIMES

Monday June 8 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## Serbs prepare for final assault on Bosnian capital

Serb forces prepared to launch a final offensive against the beleaguered Bosnian capital of Sarajevo after a two-day artillery bombardment of the city, which left at least 30 dead, many of them civilians, and trail of burning buildings.

Meanwhile, UN officials tried to put the finishing touches to an agreement aimed at re-opening the airport, which, like the capital, has been blockaded for the last nine weeks. Page 14; Milosevic fails to convince he is powerless. Page 3

Maxwell pension ends Britain's government will offer temporary financial aid worth \$3m (\$3m) to pensioners who lost their money when the late media tycoon Robert Maxwell raised their pension funds. Page 14

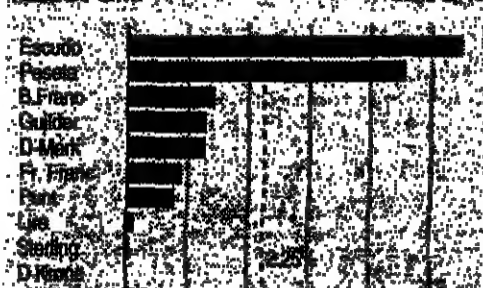
Guerrilla pleads A US intelligence adviser has written to a US judge to help win a lighter jail term for James Guerin, convicted former deputy chairman of Ford, by substantiating his claim that he worked with the CIA. Page 14

Police in Manchester British police launched a manhunt in Yorkshire for two men, believed to be IRA bombers, who shot dead a special constable and seriously wounded a regular policeman. Earlier, a bomb exploded outside the Royal Festival Hall, a leading London concert hall.

Royal denial The Princess of Wales did not co-operate "in any way whatsoever" with the author of a book which claims she made five suicide attempts because of unhappiness with her marriage, Buckingham Palace said. Page 7

The European Monetary System The Danish krone is at the bottom of the EMS grid after the markets reacted nervously to Denmark's decision not to ratify the Maastricht treaty on European political and monetary union. But, unlike last week, it is no longer threatening to slip below its permitted rate of 6.18 percentage points against the Portuguese escudo, the strongest currency in the system. Sterling is only fractionally above the krone, having been adversely affected by the Danish vote. Currencies, Page 25

EMS Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS's narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

Panama jet crashes Wreckage of a Panamanian airliner that vanished with 47 passengers and crew aboard was found near the border of Colombia. There were no immediate reports of survivors.

Indian assets threaten The Indian government has given itself power to seize assets of brokers and others suspected of fraud, boosting the chances of Standard Chartered and other banks recovering some of the large amounts owed to them. Page 4

World car sales rises World car sales are forecast to grow by 1.3 per cent to 34.5m this year after last year's 2 per cent fall, the largest drop in sales since the 1980-81 recession, according to UK-based automotive analysts. Page 4

Skandinaviska Enskilda Banken, Sweden's largest private commercial bank, has reported an operating loss of about SKr600m (\$103.7m), its first deficit, after bad debt provisions for the first four months of the year. Page 16

BT, UK telecommunications company, has found a way of delivering a television service along existing telephone wires and is exploring the commercial feasibility of offering a such a service to homes. Page 7

Heron International, troubled UK property and finance group which is seeking to reschedule nearly £1.2bn (\$2.16bn) in debts, is to suspend interest payments on a portion of its £700m in bank loans from the start of July. Page 15

Bishop in Sinn Féin talks Roman Catholic Bishop of Derry Edward Daly said he had been having talks with Sinn Féin, the IRA's political wing, in an effort to get the terrorists to end their campaign of violence.

Lagos shake-up Nigeria's military rulers announced big changes in two key ministries and introduced an economic relief package to help soothe tensions after some of the country's worst violence in a decade. Page 4

Banc One, fast-growing Ohio-based commercial banking group, is to acquire 64-branch Key Centurion bank of West Virginia in a stock deal worth \$536m. It will be the bank's sixth acquisition this year. Page 17

Fokker chairman Frans Swarttouw reportedly threatened to resign amid growing unease in the Netherlands over the sale of a 51 per cent stake in the Dutch aircraft builder to Deutsche Aerospace (Dasa) of Germany. Page 17

Foreign brokers' share of market volume on the Tokyo Stock Exchange rose above 20 per cent in April, thanks to their expertise in stock futures and options trading, and continuing foreign interest in Japanese equities. Page 17

## Strong election showing by Slovak nationalists threatens government Fears of Czechoslovak split

By Ariane Gentilard in Bratislava and Anthony Robinson in Prague

PRESIDENT Vaclav Havel of Czechoslovakia last night called on Mr. Vaclav Klaus, the federal finance minister, to try to form a new federal government following his Civic Democratic party's strong showing in the weekend general elections.

But he will face strong opposition from Slovak nationalists led by Mr. Vladimir Meciar, whose Movement for a Democratic Slovakia won a clear victory in Slovakia, fuelling fears that Czechoslovakia will split.

Mr. Meciar immediately with-

drew his support for Mr. Havel's presidential candidacy and repeated his pledge to push a Slovak constitution through the Slovak parliament. This would violate the federal constitution drawn up in 1993 by the communists.

The strong support for nationalist and left wing parties in Slovakia is reflected in the federal parliament, where they will be able to form alliances with Czech opposition groups to block attempts by Mr. Klaus to form a new coalition federal government or push through constitutional reforms.

But the Slovak nationalists are also internally divided into differ-

ent factions, with several ready to stop short of an outright break-up of the federation and anxious to continue economic reforms, albeit at a slower pace.

The Civic Democratic party obtained 39.7 per cent of the vote for the Czech parliament, where Mr. Klaus will be able to form a majority coalition, enabling it to accelerate market reform. He won 34 per cent of the vote for the federal parliament.

The Czech right wing parties won a convincing victory in the Czech parliament over the left wing opposition led by the Czech communist party with 14 per cent of the vote, followed by the Social Democrats with 6.5 per cent.

The extreme right wing Republican Party, which appeals to the growing resentment against gypsies, also managed to surpass the 5 per cent threshold to gain seats in the Czech parliament.

But right wing parties were heavily defeated in Slovakia where 12 per cent unemployment has fuelled resentment against radical market reforms which have hit hardest at the republic's heavy engineering and arms industries.

Mr. Meciar's movement, a loose coalition of nationalist forces, won 37.3 per cent of the vote and is expected to form a majority coalition with the pro-independence Slovak National Party

which obtained 7.9 per cent.

In Slovakia the reformed communist party led by Mr. Peter Weiss, gained 14.7 per cent while the Social Democrats led by Mr. Alexander Dubcek, leader of the failed 1968 Prague Spring revolt against communist rule, managed to gain a handful of seats.

The Christian Democrats of Mr. Jan Carnogursky, former Slovak prime minister, who replaced Mr. Meciar last year, gained only 8.9 per cent while the attempts of Mr. Klaus' party to gain a foothold in Slovakia failed to surmount the 5 per cent barrier.

Czechs and Slovaks reconsider the federation, Page 13

## G7 tries to end US isolation at Rio

By David Leacrosse and Christina Lamb in Rio de Janeiro

THE Group of Seven industrialised countries is trying to end the isolation of the US at the Earth Summit in Rio de Janeiro to raise the conference's chances of success as it moves into its final week.

In particular, the G7 will push for a strong agreement on forest conservation, the one area in which the US has expressed interest, and is willing to propose financial support.

However, President George Bush made clear after talks yesterday with Mr. John Major, the UK prime minister, that he would not sign a treaty to protect the "biological diversity" of the planet's plant and animal life.

"We don't have an open pocket book... the financial parts are too open-ended for us," he said.

During the talks at the president's Camp David retreat, Mr. Major apparently made "little attempt to persuade Mr. Bush to change his mind over the treaty."

Mr. Major said the treaty seemed to call for "very substantial commitments" without specifying how and where the money would be used. He thought, however, that it would be possible to solve these problems.

The US position has been complicated by the leak of a memorandum from Mr. William Reilly, the administrator of the country's Environmental Protection Agency and its chief delegate in Rio, seeking to win Mr. Bush's



President Bush and John Major, at Camp David to discuss the Earth Summit, try to restrain the presidential dog, Ranger

approval for a modified version of the treaty.

Mr. Bush said the leak was "unhelpful" and "misleading". If its author were discovered, he would soon be "painfully unemployed".

The president will be among the more than 100 world leaders converging on Rio at the end of the week for the formal summit. But the US has a lot of work to do in the four days before Mr. Bush arrives if he is not to be met by angry crowds of environmentalists.

Washington's refusal to sign the bio-diversity treaty, and the doubts it has expressed about

other documents have cast a shadow over the proceedings. They have angered delegates and jeopardised the summit's work because the agreements negotiated in Rio will need US financial and political backing if they are to succeed.

The developing countries have been pressing for large amounts of aid, but the industrial countries want any new commitments to be tightly controlled.

The US delegation has been joined by the volume of criticism, and some of its members are reported to be keen for the US to restore its image.

Mr. Reilly confirmed that the US had still not decided whether to sign the Rio Declaration, the summit document to which all world leaders are supposed to put their names at a round-table ceremony on Saturday. Some US officials admitted that a US refusal to sign would provoke an outrage.

Mr. Reilly said he would be

focusing "on things which unite us".

Following the row over the leaked memo which highlighted divisions between himself and the White House, he added: "I hope the background noise level will drop this week."

Rio controversy, Page 6  
Observer, Page 13

Continued on Page 14

## Pressure for referendum on Maastricht grows in Britain

By Ralph Atkins and Daniel Green in London

PRESSURE in Britain grew for a referendum on the Maastricht Treaty as weekend opinion polls showed strong backing for a public say on closer European union.

Amid clear differences among the ruling Conservative party, including in the Cabinet, Mr. Douglas Hurd, foreign secretary, will try to soothe the row at Westminster today when he reports to MPs on last week's emergency discussions by European Community leaders.

Euro-sceptics will take heart at a hint from Mr. Gerald Kaufman, the opposition Labour party's foreign affairs spokesman, that his party might support a UK referendum.

"If we had a clear treaty which the country knew was going forward, then one could not necessarily argue that there should never at any time be a different way of getting popular approval," Mr. Kaufman said on BBC radio.

Tory backbenchers organising opposition to Maastricht are expected to cause further embarrassment to the government by collecting signatures for a motion

opposing the reappointment of Mr. Jacques Delors as European Commission president.

The rebels have put forward amendments to the Maastricht bill calling for a referendum. They have been encouraged by a Sunday Times-MORI poll showing 75 per cent in support of such a move. A Gallup poll for the Sun-

day Telegraph showed 69 per cent backing a referendum.

"We are not going to cool off," said Conservative MP Mr. Michael Spicer.

Lord (formerly Mr. Norman) Tebbit, former Cabinet minister, joined calls for a referendum, saying Maastricht was about "whether we should give away our power to govern ourselves".

The Maastricht bill's passage

through parliament has been postponed until at least the end of this month. Labour now plans to vote against the bill if the government brings it back to the Commons without clearing the confusion created by the Danish referendum result.

Privately some Tories warned at the weekend that ministerial resignations could follow if the government attempted to bring the Maastricht treaty back to the Commons in its present form.

"If resignation, as a means of giving leadership to others who needed to be encouraged, was necessary, I have no doubt that some people would be prepared to make that gamble," said one minister.

Financial markets are hoping for a more settled week after the referendum last week hit shares and bonds while boosting the D-Mark. Markets were already relatively calm by the end of last week as analysts concluded that, even if Maastricht might be dead, institutions like the European Monetary System were more or less intact. Markets could yet be unsettled by the results of opinion polls ahead of Maastricht referendums in Ireland and France.

### CONTENTS

News	13	Company	21-24
International News	3, 4, 6	UK	16
Maastricht in the Balance	2	Int'l. Cap. Mkts.	16, 19
UK News	7	Int'l. Companies	17
Building contracts	5	Markets	26
Weather	14	TV and Radio	11
Monday Interview	30	John Plender	19
Leader Page	12	FT World Actuarial	25
		Foreign Exchanges	25
		World Stock Markets	20

Austria	Sch20	Hungary	Ft120	Malta	Lm150	S.Arabia	SAR10
Bahrain	Dh1000	Iceland	Iskr50	Marocco	MDH11	Singapore	S\$1.10
Belgium	Bfr100	India	Rs20	Neth	Ft 3.50	Spain	Pes200
Cyprus	CyP100	Indonesia	Rp2000	Nigeria	Nkr200	Sweden	SKr14
Czech	Kcs20	Israel	Shs2.50	Norway	Nkr15.00	Switz	Sfr1.00
Denmark	Dkr14	Italy	Lira200	Oman	Omr1.20	Thailand	Bht50
Egypt	EgP100	Jordan	Jd1.20	Pakistan	Pak5	Tunisia	Din1.000
Finland	Fmk100	Kuwait	KuW1.00	Philippines	Php50	Turkey	Lira1.000
France	Ffr100	Kuwait	KuW1.00	Poland	Pln200	UAE	Dh2.00
Germany	DM1.00	Lebanon	LbL1.00	Portugal	Esc200		
Greece	Dr200	Lux	Lfr100	Qatar	QR10.00		

It came as no surprise when the University of York's 21 acre Science Park was selected as the new home for multinational Smith + Nephew's entire research activity.

And when a company so renowned for the quality of its research chooses a location, you can be sure that all the options have been rigorously examined.

So if you're researching opportunities for your business development, put York under the commercial microscope.

Why not join Smith + Nephew in York?



YORK: A PROVEN BUSINESS LOCATION

- Just 1 hour 43 minutes from London by rail
- School leavers with the best results outside the South East
- Wide choice of office and site locations
- An asset for recruiting and retaining staff
- A prestigious City - perfect for headquarters location
- Opportunities for cost saving

To find out how you can gain the business advantage  
contact: Tony Bennett  
Tel (0904) 653655 Fax (0904) 625287

**YORK**  
THE DISTINCT ADVANTAGE



## NEWS: MAASTRICHT IN THE BALANCE

□ LAST week's Danish vote against the Maastricht treaty sent tremors through the European Community. Mr Uffe Ellemann-Jensen, the Danish foreign minister, did his best to salvage the remnants of Denmark's European policies; President François Mitterrand called a referendum; Chancellor Helmut Kohl confronted growing German opposition to European monetary union; Prime Minister John Major

faced a backbench Commons revolt which could sabotage Britain's bid to play a constructive European role during its six-month presidency starting next month; and Italy struggled on with the task of trying to form a government.

EC foreign ministers met in Oslo, and tried to pretend it was business as usual. Around the continent the voters pondered the confusion — and wondered what it all meant. Denmark's

referendum exposed a deep gulf between the pro-Maastricht policies of the country's political establishment and the hopes and fears of ordinary voters.

To assess reaction to last week's events, Financial Times reporters went on to the streets at the weekend and asked citizens in Britain, France, Germany and Italy for their views on the Community's post-Copenhagen crisis.

## Threat to D-Mark touches a raw nerve

IT WAS someone's birthday and the pills and kólsch were going down at full throttle. A dozen Aacheners in a town centre bar were alternately mourning and laughing themselves half to death over the topics of the day.

Faces lengthened briefly at the news that Steffi Graf had just lost the French Open tennis championship to Monica Seles. And, inexplicably, one of the party had not heard of the death of Benny Hill. "A great artist. We needed clowns like him," he said.

Gitta, the birthday girl, about 65 with cyclamen-carrot hair, stepped into the breach: "What we need is more asparagus and more sex for senior citizens. There's thousands of things to do with asparagus."

"Oh yes, and the city can't tax you on it!" There was plenty to laugh at and nothing was sacrosanct; the revered "king of vegetables" (approaching its seasonal peak), the British royal family (close to its nadir), plans to house asylum-seekers in converted rail and road containers, and the "Genscher peso".

The proposed single European currency has already found its own local identity in Aachen in an expression of gentle mockery for the recently retired foreign minister, Mr Hans-Dietrich Genscher, combined with something close to contempt for the gall of those who think a half-baked amalgam of lesser European currencies

### AACHEN, GERMANY

can replace the D-Mark.

"The Euro. What kind of a currency is that? What about Genscher's pension?" How they roared. No disrespect, Bert explained later. It was a quick in pronunciation that made the joke such a hit. The tone of the badinage was back to asparagus and pensioners' rights.

But seriously, said Bert, he had no objections to the single currency. He blithely cited the endless assurances from Bonn and the Bundesbank that, whatever it was called, it would have all the stability and value of the D-Mark. "Oh yes, you don't care because you're a bloody millionaire," said Gitta. "How will I manage?"

Aacheners have so far managed well enough with everything the European Community has offered. It was in their town, in the late 1970s, that the German model for the European monetary system was adopted. And it was just 30km down the road in Maastricht that the treaties designed to bind European political and monetary union were signed.

They live in a border community, a self-proclaimed "Eurologia Mass-Rhein" encompassing the people, cultures and currencies of Germany, the Netherlands and Belgium. The local newspaper costs DM1.50, BF1.25 or F11.75 depending on what you have in your pocket. As almost every-

where else in western Germany, the 12-starred Community banner is part of the civic fixtures and retailers' fittings. Bert claims to speak for his friends: the Danes "do things as they want" and that is fine. He does not want a referendum on the Maastricht treaties, and he does not believe last week's TV and radio phone-in polls, which suggested more than 80 per cent of Germans would vote No if they were asked.

If pressed, he is more worried about Russian-built nuclear weapons all over eastern Europe, instability beyond the Community's eastern borders, and how much of his pay packet goes to east Germany. "The political classes have got many big jobs to do, and we should ask ourselves if they are big enough to do them."

A straw poll of a dozen Maastricht residents took place at the prospect of the long Whitman weekend to worry much about subsidiarity suggests that the sole implication of the Maastricht treaties which has impinged on local consciousness is the loss of the D-Mark — and it is resented. But Europe is Europe, with or without the Danes or, in the end, the D-Mark.

Rudi, a local visiting from his new home in Düsseldorf, worries that "even I, a businessman who understands the treaties," cannot properly envision the outcome when they



come fully into effect. The politicians who signed them, he says, have been irresponsible; too preoccupied with scoring party political points at home. "Some people say the Danes did not properly understand Maastricht. If that is true it must also be true here. We Germans are not so clever."

There are signs that the "political classes" are waking up to the reality of an information gap. Mr Friedrich Bohl, minister in the chancellor's

office, made a ponderous effort at clarification after the Danish referendum shock last week.

Without the union, he said, there would be no European environmental policy and markets would be lost.

Acknowledging popular concerns, he added there would be no way of stopping the flow of refugees and Germany would be defenceless against organised international crime.

The Foreign Ministry, meanwhile, has sponsored a computer quiz game — On the road to Europe — intended to deepen appreciation of the Community neighbourhood. It was launched at the Europa-fest in Erfurt, eastern Germany, yesterday. Questions include: Is the French national anthem called La Bouillabaisse? Who or what is the Iron Lady? And how do Danes decorate their Christmas trees?

Christopher Parkes

## Full implication of closer ties eludes provinces

SARZANA'S European credentials are there for all to see. At the entrance to this small provincial town on the borders of Liguria and Tuscany is the large European Community symbol, with its blue background and yellow stars of the 12 members.

Does Franco, the petrol pump attendant at the nearby garage, worry now that there may be only 11 real members in the Community? "Never bothered to count the stars myself," he says, slightly embarrassed.

Has he heard of Denmark's decision in a referendum to reject the terms of closer EC integration? "Wasn't that the night of the Italian under-21s against Sweden?" Like most of his fellow countrymen, football is his term of reference.

Franco is not afraid of Europe and has never questioned whether he or Italy might not be part of it. Europe and the EC are just there. A fact of life.

Sarzana lies astride the ancient Highway No 1 (the Aurelia) close to the mouth of the river Magra. Here the mountainous rocky coastline of Liguria gives way to a fertile narrow plain that gradually broadens out towards Viareggio and Pisa to the south. Historically, the town controlled access to the inhospitable hinterland of the central Apennine chain and the rich farmland of Parma.

This strategic position has long made Sarzana (population 25,000) a trading centre. The town has also benefited from being close to the marble mines of Carrara.

But the big change has come in the past 20 years with the construction of two autostradas, one linking Genoa and Pisa and the other from Parma. Sarzana has become a wealthy distribution centre — hypermarkets have grown up on ring roads while the centre of town has acquired boutiques and antique shops.

It is the kind of place marketing men like to test their new products.

But for the town's citizens, Europe is an awkward product. In the Chamber of Commerce, at the local trade union office, the rules of the European game are clear. But for the "man in the street" notions are vague, and does not know the intricate details of the mechanisms adopted until now by Agip.

He realises, however, that self-service pumps, resisted by his union, are in use in northern Europe and his job could be at risk.

"But Italy gives good pensions," he says (thanks to a public-sector deficit which Brussels tells Rome ever more bluntly it cannot afford).

Perhaps if European integration were explained in terms of a game of football, where the fans no longer had the chance of intimidating the referee, more Italians would question the benign view of Brussels.

### SARZANA, ITALY

been pretty good at fiddling money [from Brussels].

In a newspaper shop a lively discussion begins about the EC even though no one apparently has paid much attention to the Danish referendum. "The EC is good for us — helps our exports," says a young man with a motorcycle helmet under his arm. "They told us about our budget deficit. We can't spend so much," says a waiter who has popped in from a neighbouring bar.

The owner of the shop looks on bemused. "I read the headlines. Selling newspapers you don't have time to read them... mind you, the Danish referendum wasn't given much prominence. It's political scandals every day in Italy. Most of my clients prefer Corriere dello Sport and right now its the Tour of Italy cycling," she says.

Ana is a 19-year-old medical student from Pisa spending the weekend with her parents. "We should have a referendum on Europe, although I doubt there would be enough signatures."

Of more than a dozen people "in the street", Ana is alone in being critical. "Italy has blindly accepted everything about European integration. People are fundamentally in favour of belonging to the EC but no one has asked why and the politicians have not initiated a debate. But how can you have a meaningful debate when the country has no faith in the politicians?" she says.

"Thank God for Carrara," says an antique dealer. "Our politicians are useless and the EC has given us our only project — no wonder Italians are in favour of the Community. No one worries about sovereignty here. Modern Italy has always been in hock to someone — if it wasn't the Vatican, then it was the Americans. Why not Brussels?"

Nevertheless, in a prosperous town like Sarzana few realise the practical implications of closer EC integration. For instance, Franco is working at a petrol station owned by the state concern, Agip, which is about to be privatised. He has not heard of competition policy and does not know the intricate details of the mechanisms adopted until now by Agip.

He realises, however, that self-service pumps, resisted by his union, are in use in northern Europe and his job could be at risk.

"But Italy gives good pensions," he says (thanks to a public-sector deficit which Brussels tells Rome ever more bluntly it cannot afford).

Perhaps if European integration were explained in terms of a game of football, where the fans no longer had the chance of intimidating the referee, more Italians would question the benign view of Brussels.

Robert Graham

## Bastion of British culture wary of a bouncer from Brussels bureaucrats

THERE is plenty of indifference to Europe on the shopping streets of Coulsdon, a community nestled on the green edge of London's southern sprawl. This is tempered by a fair amount of benign Euro-mindedness.

It must be remembered, though, that Coulsdon is a bastion of British culture. It is the place where the world's first proper game of cricket was recorded in 1788. So it is hardly surprising that, on Saturday, the main emotion expressed towards Brussels was suspicion tinged with stubbornness.

A united Europe would encroach on some cherished elements of British daily life which Coulsdoners are certainly not ready to give up.

"The Danish referendum is indicative of what the man in the street is thinking," declares Mr Colin Moore, a clerical officer from British Telecom. "There's a general feeling that Jacques Delors wants to be king of Europe."

Mr Moore does not want the Community, for example, to meddle with the content of British sausages. Warning to his theme he outlines other treasured traditions under threat. "We in this country are used to certain things, like milk being delivered to the door. To sweep all this away because others don't have it is wrong."

Representing Coulsdon's indifferent tendency, by contrast, is the robust

### COULSDON, ENGLAND

manageress in Coughlans Patisserie. Reluctantly she undergoes an FT interrogation while executing a strategically-placed order to sell four juicy Danish pastries.

No, she does not have time to think about the Maastricht treaty, she frowns. No, she has not done a record trade in unloading Danish pastries this week to Coulsdon customers celebrating the Danes' test in leaving the Community sticky-fingered. No, she agrees, she does not particularly like them herself.

Mr Martin James, who runs a busy butcher's shop, is more forthcoming. He is more positive, too. He scoffs at Mr Moore's suggestion that Brussels would interfere with his sausage trade. "Ten years ago they said Brussels would stop us selling fresh turkey. Nothing happened."

Mr James says Yes to Europe. "It's better to be united." He gazes at his wares — leek sausages, Chinese-style chicken wings, marinated lamb — and senses that the forces of internationalism are marching in the right direction.

"We didn't sell all this before," he says contentedly. Another man who believes that "a united Europe is essential" is Mr Robert Cook, an elderly ex-army officer who met his German wife while in occupied Germany after the Second

World War. They are stocking up supplies after spending three weeks near Hanover visiting relatives. Nonetheless, he adds: "I can understand why people are a bit wary."

Wariness springs from most Coulsdon lips. Mrs Pat Burcher, serving in a stationer's shop, spots a creeping but ill-defined menace from Brussels. She would love to say No in a British referendum. "They will take away our individuality. I don't want to be moulded into one." What does she most fear from Brussels? "They're already laying down the law, aren't they," she replies. In what areas? "You know, silly little things," she replies.

Mr Kevin Wood, headmaster of a local school, says the Danish result is "very encouraging". He explained it all at the school assembly on Wednesday, recalling to the children how Sir Thomas More also declined to say Yes (although this was to Henry VIII over a royal divorce, of all things, and not to a Delors edict on sausages). Mr Wood stood for Labour in Leicestershire on an anti-EC ticket in the 1970 election, lost by 17,000 votes, but now feels the satisfaction of late vindication.

Just back from a coach tour of France, Germany, Switzerland and Italy with Surrey teachers, Mr Wood backs links with Europe, but does not

want full integration. "The Danish vote tells me there is a groundswell of anti-common market feeling."

Mr Joan Fazackerley pauses while guiding two small children down the street. "I'm in favour of being in Europe, but not of losing our independence. I'm not in favour of one currency." She would say No to Maastricht in a British referendum.

Mr George Stewart, the joint proprietor of a gun shop, sees no reason why Britain should have to give up driving on the left. He, too, has a German wife and observes with pleasure how many Germans do not want to get rid of the D-Mark.

Mr Stewart is also concerned about the remoteness of Brussels. "The line of communication between the people making the decisions and the man in the street is so tenuous as to be invisible."

Coulsdon clearly believes in town planning. Handily placed next door to the gun shop is the parlour of W A Trulove, funeral directors. Just the place for a last judgment on Maastricht.

Mrs Anne Lock, the manageress, says: "I tend to agree with the Danes. They've stood out where others have been afraid to. I don't think we should be ruled by Brussels. No other country can tell us how to run things. We've always been an independent little island, haven't we?"

David Marsh



Jacques Delors: under fire

## Cosmopolitan mix keeps support for European unity alive

THE spirit of Maastricht is alive and well — on the surface, at least — among the many races and creeds milling around the market in Saint-Denis on the northern outskirts of Paris.

Saint-Denis has an incongruous mix. It is one of France's most cosmopolitan towns; Corsicans, Arabs, Poles and Africans mill through the streets. The kings and queens of France lie buried inside the town's single-tower Gothic cathedral. The town hall is run by the Communist party, which believes the Maastricht treaty is an affront to national freedom. One in four of the town's residents vote for the extreme right-wing National Front, whose leader Jean-Marie Le Pen is France's chief anti-Maastricht campaigner.

And yet, on the evidence of the market-place, Saint-Denis is decidedly pro-European.

The Danish vote against Maastricht has made almost no impact on 10 French nationals picked at random from this colourful gathering.

Half of them were of foreign extraction — proof of France's tradition of assimilating people of different cultures. Seven of the 10 said they would definitely vote for Maastricht in the referendum announced by President François Mitterrand on Wednesday, one said no and two had not made up their minds.

"Anything that moves to a single Europe is good," says Mr Hamadache Azeiki, 39, a trader selling billowy underwear to Saint-Denis' larger ladies. Mr Azeiki considers himself badly informed on the details of Maastricht, and then reels off most of the main points with startling expertise. Algerian by origin, Mr Azeiki thinks of himself as French.

The National Front and the Communists won a combined 50 per cent of the vote in regional elections held in March, so it is surprising to find so many people in the streets confessing to be pro-European.

Mr Le Pen's supporters blame immigrants — 25.5 per cent of Saint-Denis' population is foreign — for the 14 per cent unemployment rate, four points above the national norm. Saint-Denis is also poor; nearly half its households have no car and a quarter have no bathroom, toilet or central heating, according to a study by the town hall.

Perhaps the town's non-Europeans think the EC will improve their lot, while the anti-Europeans want to defend their livelihoods against a possible increase in immigration. Significantly, the only firm anti-Maastricht voter in the

### SAINT-DENIS, FRANCE

FT's straw poll was of French origin.

Mrs Françoise Dauphet, a middle-aged woman who works in a clothes shop, says: "I'm glad the Danes said no. Perhaps the single European currency is a good idea. But opening the frontiers is bad. There are already too many immigrants in Saint-Denis and too much unemployment."

Mrs Dauphet, who says she votes for the neo-Gaullist opposition, adds: "Look what happened when Germany let down the wall. We don't want that here."

A young French girl, sitting at the information desk in the nearby town hall, claims never to have heard of Maastricht, let alone its treaty. In any case, questions on Europe's future are not her business

and should be addressed to the electoral office she says, a reflex which shows typical French belief that the public administration knows everything.

The office is run by Mr Philippe Chartier, a police, bespectacled 26-year-old, who agrees that average French people are not well enough informed on the content of the Maastricht treaty, and have lately left the subject to their respected administration.

Public ignorance may have contributed to the Danish problem, he says, adding that this factor might have been underestimated by the French government.

"French people tend to see Maastricht as a source of conflict between political parties, rather than for what it is," he

says. Mr Chartier believes that voters will view the Maastricht referendum as much as a chance to express a view on the increasingly unpopular Mitterrand presidency as on the treaty. The referendum could thus backfire.

"Even so, I think only four out of 10 in France will say no," he says.

Back in the street, a surprising number of locals talk about the need for Europeans to band together against perceived US domination. Mr Bernard Mascheroni, 61, a part-time landscape painter, sips black coffee in a bar as he argues "European union will make us all stronger, so that the EC can resist US imperialism".

The threat to national identity is a marginal problem for a multiracial district like Saint-Denis, he points out. "The Danes might be right,"

echoes the barwoman, Mrs Chantale Monetti, who does not know how she will vote.

The painter's fear of the US is echoed by Mr Albert Bann, 67, a Polish tailor, who adds that the EC should try to imitate a US federal system. "It's not a perfect model, I know, but it works," he says. Mr Bann would be happy to pay his bills in Ecus, rather than francs.

"The Danes have got it all wrong. You can't make a European union and completely satisfy everyone. This is the problem of Europe and they have to accept that," says Mr Bann.

Like others he fears the average Frenchman or woman is not well enough informed to vote rationally on Maastricht. "People will just vote on what they are told."

William Dawkins

The Financial Times (Europe) Ltd  
Published by The Financial Times  
(Europe) GmbH, Frankfurt am Main,  
Niederstrasse 11. Telephone: 49 69  
156550; Fax 49 69 396448; Telex  
416159. Represented by: E. Hugo,  
Managing Director, Printer: DVM  
GmbH-Friedrichstrasse 60/78  
New-Isenburg 4. Responsible editor:  
Richard Lambert, Financial Times  
London SE1 9HL. Number One Southwark Bridge,  
London SE1 9HL. The Financial Times  
Ltd, 1992.

Registered office: Number One,  
Southwark Bridge, London SE1 9HL.  
Company incorporated under the laws  
of England and Wales. Chairman:  
D.E.P. Palmer. Main shareholders: The  
Financial Times Limited, The Financial  
Times New United, Publishing, Gordon J.  
Rolley, 108 Rue de Rivoli, 75004 Paris.  
Codes: 01. Tel: (01) 4297 0621; Fax: (01)  
4297 0629. 84109: Richard  
Lambert, Printer: SA Nord Edito, 1571  
Rue de Caen, 91100 Roissy Cedex 1.  
ISSN: ISSN 1146-2753. Commission  
Paritaire No 67000D.

Financial Times (Scandinavia)  
Vinnelaskutus 42A, DK-1161  
Copenhagen-N. Denmark. Telephone  
(33) 13 44 41. Fax: (33) 95555.



## EC ministers to pursue single market

By David Gardner in Brussels

EC finance ministers meeting in Luxembourg tomorrow will try to give the impression of business-as-usual, despite uncertainty over the future of the Maastricht treaty, by advancing measures to create next year's single market.

Ministers will have their first formal look at Spain's "convergence" programme, under provisions whereby the 12 examine each member state's efforts to prepare for economic and monetary union (Emu), by converging their fiscal and monetary performance towards targets set by Maastricht.

Following Denmark's rejection of the treaty last week, this increasingly important exercise in mutual bullying will be watched more closely by markets anxious about whether Emu and a single currency are now feasible by the target dates of 1997, or 1999 at the latest.

Ministers will also have their first serious discussion on the European Commission's plans to increase EC revenue by more than 30 per cent from now to 1997. This increase partly flows from Maastricht pledges to increase fiscal transfers to Spain, Portugal, Ireland and Greece, the Community's poorest members.

The size of the increase is hotly opposed by Germany and the UK, the EC's two biggest



MAASTRICH  
IN THE BALANCE

net contributors. But if the EC tips itself into a further argument about money, the prospects of ratifying Maastricht could be clouded further. The most potent weapon of the Irish government, for instance, which is holding a referendum on June 18, is EC cash.

The finance ministers will also continue the EC's increasingly controversial efforts to persuade the UK to harmonise its value added tax rates with the rest of the Community as part of the single market.

Christopher Parkes adds from Bonn: Chancellor Helmut Kohl said yesterday EC leaders would agree to accelerate the pace of enlargement at their next summit in Lisbon later this month.

"The train will not stop," he added in a robust response to the Danish referendum's "no" to political and monetary union. "We want to step up the pace rather than slow it down," he said in a radio interview.

## Milosevic fails to convince he is powerless

Observers believe the Serbian leader does have authority over forces in Bosnia, writes Judy Dempsey

MR Cedric Thornberry, the United Nations mediator in the besieged Bosnian capital of Sarajevo, is pinning all his hopes on the coming days.

Following lengthy negotiations between the Bosnian presidency and Serb militia groups at the weekend, an agreement was reached to reopen Sarajevo airport.

As long as the airport remains blocked by the Serb forces, the more likely the people of Sarajevo will die of starvation. Its remaining 300,000 inhabitants have been without food, water, electricity and medicine, after Serb forces started bombarding and besieging the city nine weeks ago.

Mr Thornberry wants UN troops to take control of the airport, as well as the surrounding areas. But any successful implementation of this plan depends on Serbian President Slobodan Milosevic.

In an attempt to distance himself from the fighting in Bosnia-Herzegovina so as to end the UN sanctions imposed on Serbia a week ago, Mr Milosevic claims he no longer controls the forces in Bosnia. Few experienced UN or western diplomats in Belgrade believe him. They say the fighting in Bosnia could be reduced if the Serbian president chose to call in the Serbian commanders who control large sections of that war-torn republic.

These commanders are located in four key centres: Sarajevo; Pale, which is close to the capital; Banja Luka in the north-east; and Tuzla, in the east of Bosnia.

In Sarajevo, Mr Milosevic's

hand-picked man is General Ratko Mladic. Formerly Yugoslav army commander in the self-proclaimed Serbian republic of Krajina, south-western Croatia, he was appointed head of the Yugoslav army in Sarajevo by Mr Milosevic in early May. A few days later, he was made chief of Serbia's proxy Bosnian army.

Since then, along with Mr Radovan Karadzic, leader of Bosnia's Serb Democratic party (the sister party of Mr Milosevic's ruling Serbian Socialist party), General Mladic has ruthlessly tried to starve Sarajevo into submission.

Through siege and bombardment, he and Mr Karadzic, whose headquarters is now in

Pale, want to divide the city's ethnically-mixed, but close-knit, community into separate Croat, Moslem and Serb districts.

To the north-west, in the 195,000-strong city of Banja Luka, a Serbian stronghold, a more insidious campaign to create ethnically-pure Serb regions is under way. A special

"Centre for Migration", organised by Mr Brđjanin Kuprasanin and Mr Radislav Vukic, has been set up to administer the transfer of populations.

For example, Mr Kuprasanin recently demanded that the mayor of Zenica, a city in central Bosnia, swap 30,000 Moslems and Croats from Banja Luka for Serbs from Zenica. Before the fighting, Banja Luka was 55 per cent Serb, 15 per cent Croat, and 15 per cent Moslem. Zenica was 55 per cent Moslem, 15 per cent Serb and 15 per cent Croat.

Moslems refusing to move out of their homes are forced to, or are killed. When they try to flee, the men are often picked out of the convoys and shot. A bus driver, involved in bringing some of the 200 refugees from the eastern Bosnian town of Visegrad, recounted last week how Serb militia forces on the Serbian border turned back the convoy into Bosnia. The Serbs then stopped the bus, picked out 17 Moslems and shot them dead.

In Tuzla, Serb forces led by Mr Mile Dubajic began bombarding the 131,000-strong city two weeks ago with the aim of driving out all non-Serbs, and consolidating that swathe of territory between Serbia proper and Tuzla. Over 47 per cent of the city is Moslem.

Like other Serb commanders, Mr Dubajic has no respect for UN or other relief agencies. He told a senior international aid agency official that if he returned to the city, he would be shot personally by Mr Dubajic. "They don't want us around because they don't want us to see the

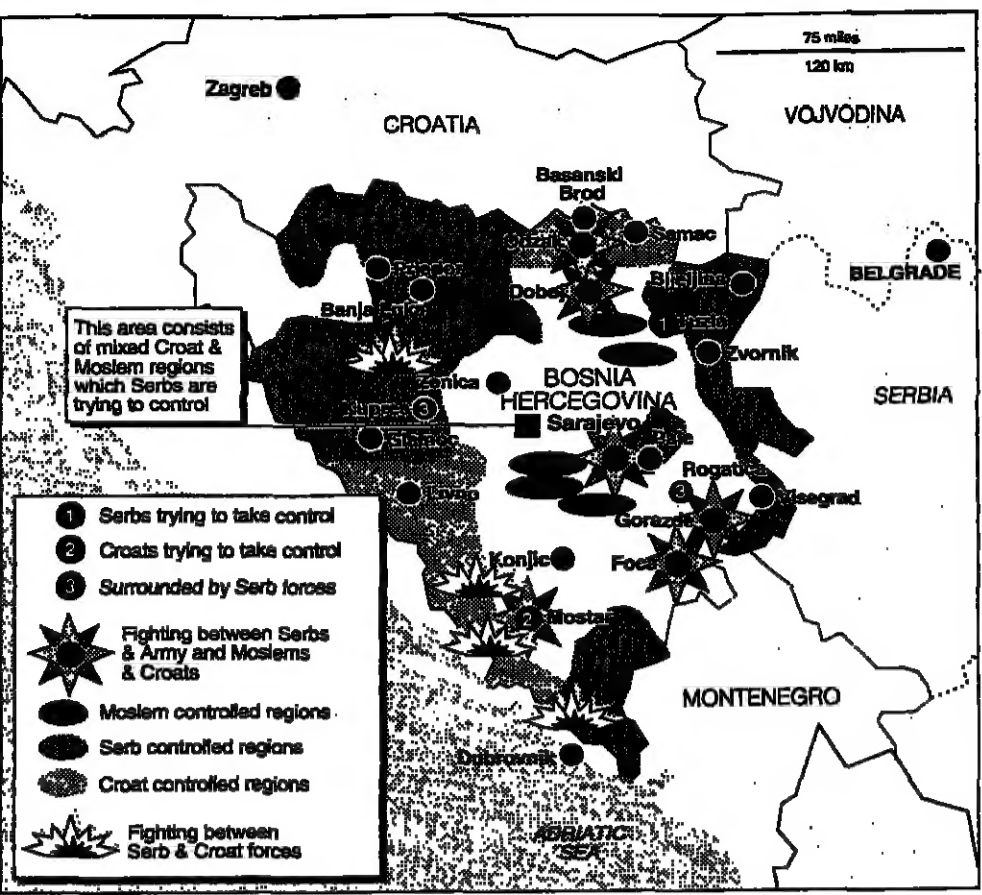
atrocities," said a UN official. Away from the main centres of fighting, UN and diplomatic military personnel returning from other regions in Bosnia explained how Serb and Croatian forces were driving out innocent civilians from villages through a policy of pillage, burning, and killing.

In remote areas, Croats and Serbs are doing their own forms of ethnic cleansing in such a way that refugees who want to come home will have nothing to come home to," a senior UN official explained.

In regions around the south-western city of Mostar in Herzegovina, Croat forces under the command of Mr Slobodan Praljak, Croatia's assistant defence minister, have forced thousands of Serb villagers to flee into neighbouring Montenegro. UN officials say Croatian President Franjo Tudjman is using the international spotlight on Serbia to advance Croatia's own aims by trying to annex Herzegovina to Croatia.

But they still insist that Mr Milosevic has the authority to order the siege of Sarajevo and its airport to be lifted, and the power to rein in General Mladic, Mr Karadzic and Serb militia groups.

A senior western diplomat said: "If Milosevic says he has nothing more to do with Bosnia, why doesn't he prove it by halting all oil and money sent from Serbia to the army in Bosnia, and removing General Mladic?" He added: "Maybe, in his cynical and cowardly way, Milosevic will do it when Sarajevo has been completely destroyed."



## G7 summit set to streamline supply of expertise to eastern Europe

THIS year's Group of Seven economic summit in Munich will be asked to approve the creation of special co-ordination groups to improve the supply of western expertise to the former communist countries of eastern Europe, write Peter Norman and Quentin Peel in Bonn.

Mr Horst Köhler, the German government's official, preparing next month's summit, said the states could no longer cope with the different advice and technical assistance

supplied by western states.

He told the Financial Times that the G7 sherpas, representing the US, Japan, Germany, France, Britain, Italy and Canada, had already reached broad agreement for the summit to give the go-ahead to so-called country co-ordination groups to aid each of the emerging market economies.

These would link the efforts of the International Monetary Fund, the World Bank and possibly the European Bank for Reconstruction

and Development with those of interested western countries to ensure that macro- and micro-economic advice is better co-ordinated, and to eliminate some of the overlap and competition among western countries providing assistance. This would also give the G7 something to offer Russian President Boris Yeltsin, who will join the G7 leaders for talks after the summit.

The main goal of the summit, which runs from July 6 to 8, will be to boost the confidence of western

businesses and consumers and foster economic recovery. Mr Köhler said Germany, as the host country, was keen developing countries should not be left out of this process.

He said the summit would not institutionalise a new north-south dialogue. But there were many areas of shared interest between the industrial and developing countries, ranging from the environment, through economic growth, to combating the drugs trade and controlling

immigration and epidemics. The prospects for more fruitful contacts had increased since the collapse of communism and the increased adoption of market economics and ideas of good governance in the developing world.

The proposed focus on north-south relationships would give leaders a break from issues which could make the summit one of the more acrimonious G7 gatherings.

The still-faltering state of world growth, Germany's high interest

rates and the problems it is facing in absorbing the new eastern Länder, the possibility that the Uruguay Round of trade liberalisation talks will stay stalled until after November's US presidential election and the difficulties surrounding the former Soviet Union's emergence from communist dictatorship have set the scene for a meeting where there will be no easy answers.

The sherpas have so far failed to reach agreement on one important summit issue: how best to make

safe the nuclear power stations of the former east bloc. "We are not going to solve all the problems of the world at a stroke. It could be a failure," Mr Köhler admits.

However, Germany is doing its utmost to make the summit a success. For example, Mr Theo Waigel, the finance minister, has brought forward by two weeks the deadline for finalising next year's federal budget, to show that Germany is earnest about cutting the fiscal deficits caused by unification.

## WHY THE SHIFT IN MOUNTAIN BIKES IS TO TAIWAN.

Did you know that mountain bikes from Taiwan are among the world's finest in both design and performance? If you didn't, it's time to shift your thinking.

Mountain bikes aren't just made in Taiwan, they're very well made in Taiwan.

For example, Taiwan engineers helped develop state-of-the-art carbon fiber bike frames. They're twice as strong and 20% lighter than comparable alloy steel frames. And mountain bikes made in Taiwan continue to be among the top finishers in world championships.

The bike shown here is just one example of the outstanding engineering and craftsmanship coming from Taiwan today. Taiwan's designers and manufacturers are dedicated to creating a wide range of high quality products to help you reach your goals.

Whether it's getting to the top of a mountain. Or the top of your profession.

IT'S VERY WELL MADE IN  
**TAIWAN**



## NEWS: INTERNATIONAL

Indian government takes powers to seize assets of fraud suspects

## Standard Chartered hopes rise for missing £200m

By Richard Waters and R C Murphy in Bombay

THE Indian government has given itself power to seize assets of brokers and others suspected of fraud, boosting the chances of Standard Chartered and other banks recovering much of the large sums owed to them.

On Saturday, the government passed an ordinance giving it power to seize money diverted from the banking system as far back as April 1 1991. That period covers dealings

involving Standard Chartered, which the Indian central bank says is owed Rs10.55bn (\$202m).

The order will save the UK-based bank from having to pursue its claims through the courts, which could take years. The government also took powers to set up a special court to try allegations of fraud and corruption in the Bombay stock market scandal. Irregular securities trading, in which Mr Harshad Mehta, the Bombay broker, and others raised large sums from banks for stock

market manipulation, is at the heart of India's worst financial scandal.

The 10 so far charged appeared in court in Bombay on Saturday and were remanded in custody. Mr S Venkataraman, governor of India's central bank, said the scandal would not slow the pace of liberalisation of India's financial markets, though it had given ammunition to opponents of reform. He said there was nothing he could have done to have prevented the Rs30.8bn (£600m)

fraud on the country's banking system, which has led to calls for his resignation.

There had been frauds in several banks, including Standard Chartered, with many deals not being reported to the bank's managers, he said. "No central bank in the world has a policing system for that."

Mr Venkataraman said he had been aware of similar abuses a year ago, though on a smaller scale, and had told banks then to make sure there were adequate controls.

The governor has been criticised because two banks at the centre of the fraud - State Bank of India and National Housing Bank - are owned by the Reserve (central) Bank and have bank representatives on their boards. Mr Venkataraman said he had no direct control over the banks, but that the government was responsible for appointing their top managers. "I can neither hire nor fire the management."

The central bank's ownership of banks apparently involved in fraud has caused concern in some quarters about its objectivity in investigating and apportioning blame in the affair. It has put pressure on ANZ Grindlays, through which some of the money was diverted, to set aside funds to repay Kothari to the National Housing Bank. While he denied that the Reserve Bank's main aim was to recover money for its subsidiaries, Mr Venkataraman said: "There is a conflict because we put in share capital. It is unfortunate."

The central bank should not be represented on the boards of commercial banks and there should be complete separation of ownership and regulation, he said.

In the meantime, the Reserve Bank was confident that it would trace much of the missing money.

"We know where the money has gone. We are acting on some leads, and are still confident we will be able to recover assets." He refused to say whether provision made by Standard Chartered, which has set aside \$50m, was adequate.

## Suharto party's majority set to slip

By William Keeling in Jakarta

INDONESIA goes to the polls tomorrow to elect a new parliament with the ruling Golkar party, in power since its formation in 1971, certain to win but probably with a reduced majority. Nevertheless the make-up of the parliament will be an important indication of President Suharto's popularity in the run-up to presidential elections next March.

In the last election in 1987 Golkar won 73 per cent of the vote and the officials of the two opposition parties, the Indonesian Democratic Party (PDI) and the United Development Party (PPP), admit they have no chance of power.

The parliament has little effective control over the presidency. Since President Suharto assumed power in 1965, the parliament has neither initiated, nor blocked, a single piece of legislation.

The 400 members elected tomorrow will be joined by 100 members nominated by the armed forces.

Nevertheless, the month-long election campaign has not been devoid of incident. Last week the PDI, which won 11 per cent of the vote in 1987 and which has its roots in the nationalist movement of former President Sukarno, mobilised up to 3m supporters, out of a 100m electorate, at a rally in Jakarta.

The rules of the campaign, however, have restricted hard political dialogue. Parties are not allowed to campaign on religious issues, which has made life difficult for the PPP, an amalgam of Islamic groups which took 16 per cent of the vote in the last election.

Other banned topics include the dominant role of the small ethnic-Chinese community in the economy, and anything which might question national unity.

Mr Witoele argues that public debate of sensitive issues would invite political instability, even a re-run of 1965 when up to 500,000 people were killed in the aftermath of a failed communist coup.

One issue that has broken through has been alleged nepotism within government, and criticism of the business interests of President Suharto's children. Two of his sons run companies which enjoy monopoly rights over buying and selling certain farm produce.

Golkar supporters are preparing themselves for a reduction in their majority, perhaps to 68 per cent. A fall below that figure would embarrass President Suharto in advance of the presidential elections in which he is expected to stand for a sixth five-year term.

The question of who could succeed the 71-year-old president is itself becoming a sensitive issue. President Suharto has in the past attracted all-party support for his nomination, but the PDI has suggested it might put forward an alternative candidate.

Although his re-election should still be guaranteed - the presidential electoral college includes all members of parliament, plus another 500 members chosen by the president - much will depend upon the support of senior army officers with which the president has not always agreed.

## Nigeria's influential finance minister goes

By Michael Hofman

NIGERIA'S influential finance minister, Alhaji Abubakar Alhaji, has been appointed high commissioner to Britain, and Mr Jibril Aminu, the oil minister, has resigned voluntarily, the country's military government announced at the weekend.

Nigerian officials said in Lagos last night that neither move signalled a significant change in government policy. But they declined to elaborate on the reasons for the changes. Initial speculation has linked the departure of the two men with recent violence in Lagos and Kaduna, blamed partly on fuel shortages and deteriorating economic conditions.

There have long been suggestions, however, that Mr Aminu, 52, was planning to resign and stand for president in the election scheduled for December 5, the last stage in the phased handover to civilian rule.

He is replaced by Mr Chu Okongwu, a former budget and planning minister and currently minister for special duties.

More striking is the move to London by "Triple A", the



"Triple A": formidable negotiator

widely used nickname for the former finance minister, who is succeeded by Mr Ahmed Abubakar, the Finance Ministry's director general (permanent secretary).

It would be uncharacteristic of him to treat the job as a sinecure, associates said yesterday, noting that he would be well placed to follow Nigeria's talks with western creditors. But they added that it seemed unlikely that he could exercise the same influence on policy making.

A former permanent secretary and minister of budget and planning, he became

increasingly influential after General Ibrahim Babangida seized power in 1993.

Triple A played a leading role in the implementation of the country's structural adjustment programme. With a combination of belligerence and charm, a shrewd understanding of western financial institutions, and a disarming capacity to quote from the classics of English literature, he won an international reputation as a formidable negotiator in his dealings with the International Monetary Fund (IMF), and in rescheduling Nigeria's external debt to government and commercial bank creditors.

He also emerged as a powerful but controversial figure in the politics of Nigeria's mainly Moslem north. With Gen Babangida's backing, he was installed last year as the Sardauna of Sokoto, entrenching his leading position in the Moslem hierarchy.

His popularity within Nigeria has steadily diminished as economic hardship increased, the state's financial management deteriorated, and the Babangida government faced allegations of widespread corruption.



VOTING WITH THE HERD: Election officials in Azerbaijan took the ballot boxes to the voters yesterday in the case of herdsmen unable to leave their sheep. The presidential election result could herald the unravelling of the Commonwealth of Independent States (CIS) and a decisive phase in the war with Armenia, Reuters reports from Baku.

The Popular Front leader, Mr Abulfaz Elchibey, the likely election victor, wants Azerbaijan to leave the CIS and UN peace-keepers on the Armenia border.

Under Mr Elchibey, this oil-producing Transcaucasian nation would lean towards Turkey in its foreign policy, pursue free-market reforms and take a cautious line on Nagorno Karabakh.

## NEWS IN BRIEF

## Tokyo tussle over UN peace force bill

JAPANESE opposition parties have held up passage of the controversial United Nations peacekeeping bill by a marathon display of filibustering, culminating in a slow voting technique called the "ox-walk", writes Stefan Wagstyl in Tokyo.

Exhausted members of the Diet's upper house were last night preparing for a fourth consecutive all-night session as party leaders argued over the bill, which would allow Japanese troops to join UN peacekeeping operations. The bill has divided the country, with supporters wanting Japan to play a bigger world role and opponents fearful of expanding the military's role. The ruling Liberal Democratic Party, which forced the bill through the Diet's lower house last year, hopes today to overcome intense opposition in the upper house from left-wing parties.

## OAS talks of Haiti action

SEVERAL members of the Organisation of American States are considering military intervention in Haiti, after the failure of diplomatic efforts and an economic embargo to secure the return to office of ousted president Jean-Bertrand Aristide, writes Canute James in Kingston.

According to diplomats, several Caribbean and Latin American countries are discussing "surgical and selective strikes" in Haiti by a multinational force. The intention would be to "weaken the resolve" of the Haitian military to hold on to power. But President Bush said yesterday he was not yet thinking about using force and hoped sanctions could be made effective.

## Lebanese economy weakens

The Lebanese economy deteriorated sharply in the first third of 1992, the Beirut Chamber of Commerce and Industry reported at the weekend, writes Lara Marlowe in Beirut.

Researchers cited decreased activity in most economic sectors, capital flight after a wave of rumours about some banks, postponement of foreign reconstruction aid and a fall in the value of the Lebanese pound. Bank deposits in Lebanon fell to \$5.8bn in March compared with \$6.2bn in March 1991. The central bank's foreign exchange reserves, which stood at \$1.234bn at the end of last year, fell to \$690m in March because the bank had tried to shore up the Lebanese pound.

## World car sales to grow 1.3% in 1992

By Kevin Done, Motor Industry Correspondent

WORLD car sales are forecast to grow by 1.3 per cent to 84.6m this year following a 2 per cent drop in 1991, which was the largest reduction in sales since the economic recession of 1980-81.

According to DRI Europe, the UK-based automotive analysts, car sales are now recovering in North America, the UK and Spain and remain strong in Italy and in Latin America.

The German market is forecast to fall sharply this year, however, by around 11 per cent to 3.7m from the record 4.2m achieved last year in the wake of reunification. Sales are also forecast to fall further in Japan.

The decline in the German market will eliminate the volume gains achieved elsewhere in Europe leading to a 1 per cent fall in overall west European new car sales in 1992 to 15.8m.

The DRI report is optimistic about growth in new car demand from 1993 and beyond

WORLD CAR SALES FORECAST ('000's)					
	1991	1992	1993	1994	1995
WORLD TOTAL	84,282	84,689	86,746	88,143	90,464
Germany	4,159	3,987	3,471	3,552	3,748
Italy	2,340	2,324	2,256	2,287	2,400
France	2,051	2,187	2,283	2,359	2,457
UK	1,582	1,587	1,894	2,006	2,267
Spain	887	997	1,095	1,197	1,311
EC total	12,598	12,440	12,882	13,034	13,878
West Europe total	13,529	13,391	13,584	14,100	15,022
US	18,573	18,625	19,005	19,052	19,547
Japan	4,058	4,674	4,814	4,870	5,216
South Korea	745	838	919	963	1,132

1991 actual, 1992-95 forecast.

Sales in west Europe are forecast to rise to a record 15m in 1995, while car sales in the US are expected to rise by 4 per cent this year to 8.7m and to more than 10m by the mid-1990s.

The downturn in Germany, the biggest single market in Europe, is forecast to bottom out in 1993 at 3.5m, some 16 per cent or 700,000 cars below the 1991 peak with demand recovering from 1994 to reach 3.8m in 1995.

After growing by 38 per cent between 1988 and 1990 Japanese new car sales fell by 5 per cent last year to 4.9m. The DRI report forecasts that demand will weaken further this year by 4 per cent to 4.7m but will recover in 1993 to reach more than 5m again in 1995.

According to the DRI study new car sales in the European Community will grow from 12.6m in 1991 to 13.9m in 1995 with Japanese car manufacturers capturing around 30 per cent of the growth.

The Japanese share of EC car sales is forecast to rise from 10.9 per cent in 1991 to 12.5 per cent in 1995. Japanese penetration is expected to grow in most EC markets but above

all in the UK, where the Japanese share is expected to rise from 11.6 per cent in 1991 to 16.9 per cent in 1995.

The capacity of Japanese car plants in Europe will probably exceed 700,000 units a year in 1995.

In the UK the new Nissan Micra, Toyota Carina and Honda Synchro all start production this year. DRI forecasts that Japanese car production in the UK will rise to more than 600,000 in 1995 pushing UK car output to 2m, which would be 60 per cent or nearly 800,000 units above the 1991 level.

DRI says that after a weak recovery this year to 1.7m from 1.59m in 1991 new car sales in the UK will grow more strongly in 1993 by 12 per cent to 1.9m.

The market is forecast to be above 2m again in 1994 but will not have recovered its 1989 peak of 2.3m until 1996.

DRI World Automotive Forecast Report, DRI, Windchill Bridge House, 1 Hatfield Road, London, SW19 3RU. £2,500.

## Advertising market grows as it fragments

As European media outlets increase, users must decide which one is best for them, reports Gary Mead



SOME \$53bn will be spent on advertising in 16 countries of the European Economic Area (EEA plus EFTA countries) this year - fast catching up with the \$59bn US market.

But though the European advertising market is becoming as important as the US for big international advertisers, significant differences between the two - the lack of a fairly homogeneous culture and common language - mean would-be pan-European advertisers face more problems in hitting their target audiences than in the US.

Moreover, increasing media fragmentation in Europe - a pattern well established in the US - is giving advertisers and media buyers more headaches. And finally, the European market has the extra frisson of an increasing concentration of media ownership.

Four different groups tussle over the \$53bn (£29bn) cash pool: the owners of the media where the ads appear; the advertising agencies who make the ads; the media buyers who buy the space; and the adver-

tisers themselves, who want better-targeted advertising space for the same, or less, cost. In the European market, advertising expenditure is unlikely to grow by more than 2 per cent in real terms this year. That slow growth is putting a squeeze on everyone.

For both media owners and media buyers it is becoming more important to know what type of consumer sees the media concerned; only through more refined targeting can both sides continue to persuade advertisers to use them, rather than a competitor. The piggy-in-the-middle, an advertiser - particularly of fast-moving consumer goods - requires increasingly sophisticated advice about where and when to place the advertising: without careful market analysis, money could disappear down the drain.

In the last decade the European media market has witnessed a proliferation of new outlets: in 1981 there were just 30 television channels, but by last year that had exploded into 66 national terrestrial stations, 28 satellite channels and another 700 regional and local channels (650 of those in Italy alone). Across the EEA there are business plans for 40 more. While satellite television is

so far taken by only 3 per cent of European households, cable television has reached 19 per cent of them - though in France, Italy, Spain and the UK penetration is less than 2 per cent. The domestic video recorder has spread to more than half (from a standing start in 1978) and 80 per cent have remote controls; consumer viewing choice is greater, faster, easier.

Advertisers have a glut of outlets elsewhere, too. There are now 10,000 different consumer magazine titles in the EEA, 4,200 paid-for and 4,300 free-distribution newspapers. But both magazines and newspapers have seen their share of advertising revenue drop over the decade: from 26 to 23 per cent for the former and from 39 to 30 per cent for the latter.

If media fragmentation is a cause for alarm for media owners anxious to keep their share of advertising revenue, it plays into the hands of media-buying specialists such as Carat, the largest in Europe, which this year will take some 12 per cent of the market.

Mr Peter Scott, chief executive of Carat, says: "Fragmentation of the media is going to create more choice, more competition, more com-

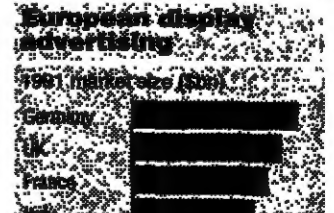
plexity and therefore a greater need for research and computer techniques in order to be able to find out where the audiences are. In the US, Warner delivers 150 different channels in some areas of New York. How do you as an advertiser know where to go?" Carat is spending \$20m this year on researching that problem.

At the same time as a swing towards more media outlets, media ownership across Europe is also becoming concentrated in fewer hands.

Europe's largest independent media buyer, Carat (part of the Aegis group), has recently published research which indicates that 44 per cent of television advertising spending - about \$16bn - went to just five European television groups in 1991; 68 per cent of all advertising was snapped up by the top 20 individual channels.

In Italy, with a 1991 advertising market of \$7bn, Mr Silvio Berlusconi's Fininvest group is now estimated to have some 50 per cent of all advertising revenues.

European publishing is becoming similarly concentrated. In 1991 eight of the big publishers took 35 per cent of all magazine advertising in the five biggest European markets.



Such concentration of media ownership is also concentrating the minds - and actions - of buyers. Last year, for the first time, more than 50 per cent of all display advertising expenditure was channelled through specialist media space-buyers.

Carat is convinced that, as pan-European media ownership concentrates while the outlets become more fragmented and niche-like, buyers will have to become more specialised.

Mr Scott is therefore confident about the future of his own and other media-buying businesses, at the cost of European media owners. "Overall, the cost of advertising is coming down rather than going up. The massive media inflation of the 1980s is now tailing off, and the inherent profitability of media owners must be under threat; the power has shifted from media owners to advertisers and media buyers. An advertiser and media buyer can now achieve the same thing by going elsewhere, if media owners try to charge outrageous rates."

"Give satellite another couple of years of penetration and you can start to say 'no' to inflated charges from other forms of television."

**"Good communications"**  
labour force, good results  
with the Local Authorities  
along with good housing  
good leisure facilities

WIGAN IS A GOOD PLACE  
TO BUILD YOUR BUSINESS. FIND OUT WHY.  
CALL LINDA COX ON 0800 220908  
OR SEND THE COUPON.

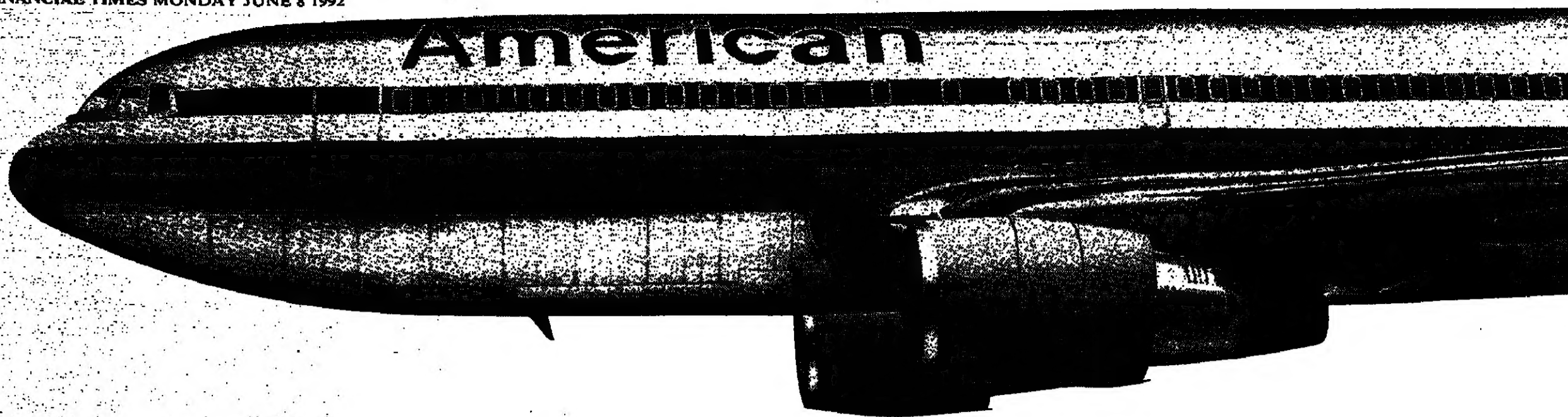
ECONOMIC DEVELOPMENT, WIGAN M.C., NEW TOWN HALL,  
LIBRARY STREET, WIGAN WN1 1NN.

NAME \_\_\_\_\_  
POSITION \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_

TELEPHONE NO. \_\_\_\_\_

**WIGAN**  
WHERE BIG BUSINESS IS MOVING





# HEATHROW GATWICK STANSTED

Only one airline is big enough to fly to America from all 3 major London airports: American Airlines.

**Now Fly American from Heathrow, Gatwick, and Stansted.**

This summer American will offer you a choice of 13 non-stop flights daily to the US.

Including 10 flights daily from Heathrow non-stop to New York, Chicago, Los Angeles, Boston, and Miami.

Two flights daily from Gatwick non-stop to Dallas/Fort Worth.

Plus our exclusive new service from Stansted - London's newest, most modern airport.

**New Stansted-Chicago Daily Non-stop Service.**

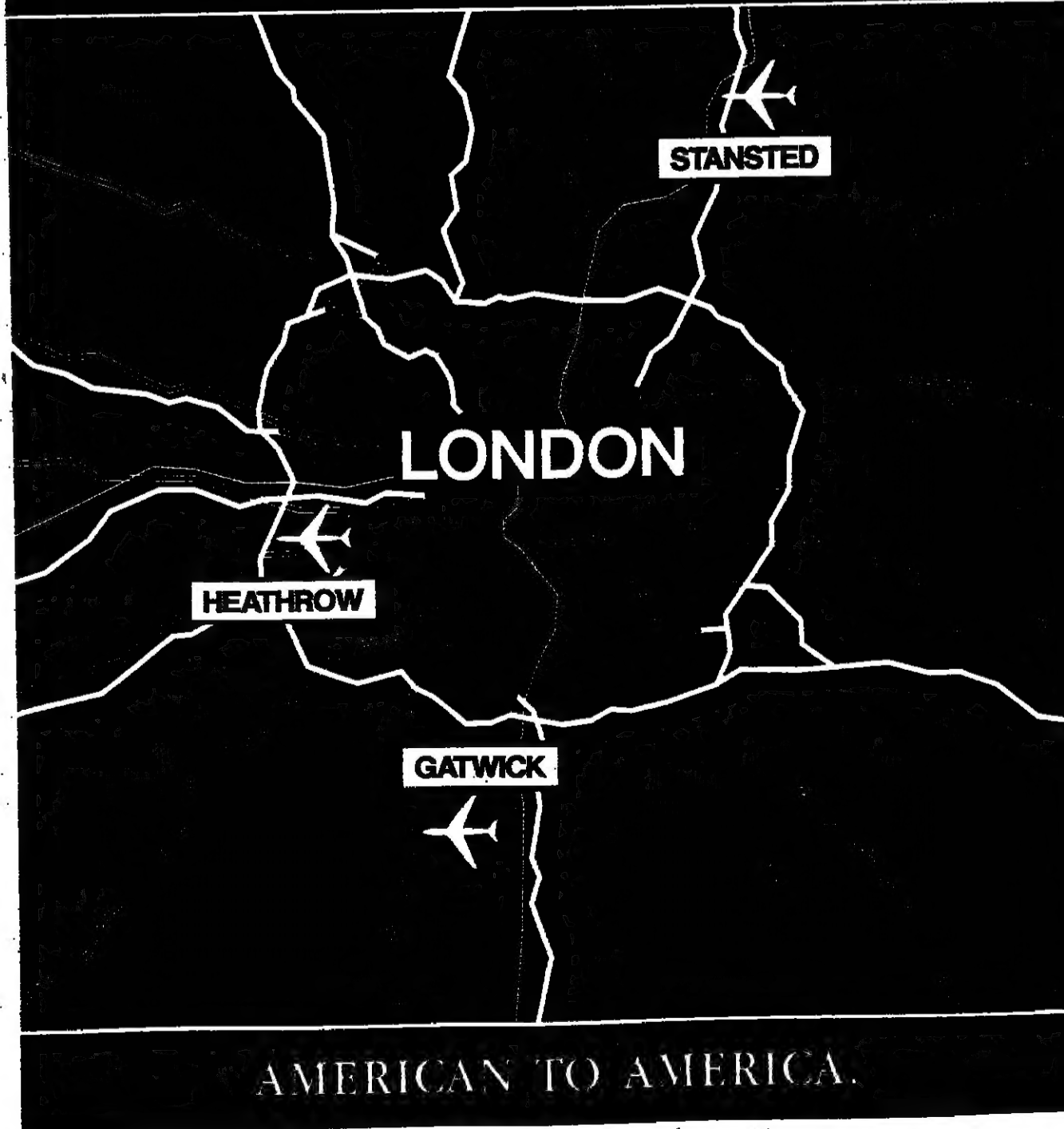
Starting June 16, American introduces the only transatlantic service from Stansted airport, with a daily non-stop flight to Chicago - the business capital of the US heartland. And gateway to all of America.

You leave Stansted at 13:20. And Arrive in Chicago at 16:28.

**Special Stansted AAdvantage® Bonus.**

If you're a member of our AAdvantage travel awards programme, you'll also earn bonus miles when you fly to Chicago from Stansted - 10,000 miles for return flights in First Class and 8,000 miles for return flights in Business Class.\* Just complete your trip between June 16 and September 30.

Starting June 16, only American flies to America from all 3 major London airports.



AMERICAN TO AMERICA.

**Next Trip, Try Stansted Instead.**

Stansted Airport is within easy reach of central London.

Located on Junction 8 of the M11 motorway, Stansted is 30 miles north east of London. And only 15 minutes from the M25.

British Rails' 'Stansted Express' also provides a high-speed rail link between the airport and Liverpool Street Station.

**Fly American to Over 270 Cities.**

From the UK, American gives you a choice of 6 US gateways.

And American's service doesn't stop there.

Without changing airlines, you can fly American to over 200 cities in the US. Plus 70 more in Canada, Mexico, the Caribbean, Central and South America, and the Pacific.

**Wide Choice of Holiday Packages.**

American's Holiday Division also offers an extensive line of holiday packages to major US cities, including Miami, Orlando, San Francisco, Los Angeles and more. Holiday packages can even be customised to meet your specific needs.

For American Airlines Holiday information, just call 081 572 7878.

**Fly American to America.**

For reservations, call your Travel Agent. Or call American Airlines FREEPHONE on 0800 010151.

**American Airlines®**  
Something special in the air.

\*Offer valid for First and Business Class travel between London Stansted and Chicago O'Hare June 16, 1992 until September 30, 1992. Offer not available in conjunction with any American or other airline's discount, coupon or promotional offer, including AAdvantage free travel awards. AAdvantage is a registered trademark of American Airlines, Inc. American Airlines reserves the right to change AAdvantage programme rules, regulations, travel awards and special offers at any time without notice, and to end the AAdvantage programme with six months' notice. AAdvantage travel awards, mileage accrual and special offers subject to government regulations.



## NEWS: INTERNATIONAL

## Protection of bio-diversity sparks Rio controversy

Earth Summit suggestions about the sharing of technology have upset the US, report David Lascelles and Christina Lamb

THE US's refusal to sign the Earth Summit treaty on biological diversity, and the doubts expressed by other countries such as the UK and Japan, have made this much the most controversial document at Rio. It is also one of the more complex because it covers new areas such as patent rights on biotechnology.

The purpose of the treaty is to create measures to protect the diversity of plant and animal life on the planet and prevent potentially valuable species being wiped out before they have even been discovered. Scientists estimate that there are at least 10m species in existence, of which only 1.4m have yet been identified, and say we are losing as many as 75 each day.

About half of the treaty consists of worthy measures which cause little difficulty: establishing protected areas, conserving eco-systems, aiming for sustainable devel-

opment. One important principle is that all countries have the right to exploit their bio-diversity, but must not damage the environments of other states.

The US objection centres mainly on the section dealing with biotechnology. In some ways it is misleading to call it simply the bio-diversity treaty. The treaty makes clear that one of its objectives is to give all parties access to genetic resources, and also to the technology to exploit them.

This is a tricky area because it is mainly the Third World countries which have the bio-diversity, but the industrial countries which have the know-how to transform it into something of commercial value.

Developing countries have been demanding access to biotechnology on preferential terms, backed by aid from the wealthier nations. But the US, in particular, has been resisting any suggestion that the

treaty imposes a duty on industrial countries to share their technology, or give it away. Washington insists that the private sector, and not governments, has control of this.

Moreover the treaty leaves open the door for countries to patent genetic material and charge royalties for its use, thus reducing the profitability of the multinational pharmaceutical companies which develop them into saleable products. Mr Maron Azambuja, Brazil's chief negotiator, says the treaty will keep intellectual property lawyers in work for years. "If the bark of a tree in Piaui [a state in northern Brazil] is found to have certain valuable properties, is that a Brazilian asset? Do we allow others to share it and can we charge royalties if someone synthesises it?"

US worries on these issues were graphically highlighted in the leaked memorandum which Mr William Reilly, head of the US Environmental Protection Agency, sent to the White House last week proposing changes which might make the treaty more acceptable.

One of the treaty clauses, for example, says countries should co-operate on patents and intellectual property rights in both the letter of the law and the spirit of the treaty. The US wanted the section on the issue of the treaty removed.

"We would have hoped that the negotiations would have confined themselves to the issue of protecting flora and fauna," said Mr Reilly. In fact it was the US which was initially pushing for this treaty until it realised that it would incorporate biotechnology as a trade-off for developing countries to conserve their eco-systems.

Since catering to US objections would have involved re-opening the treaty - something which is now too late - Washington has been unable to sign it even though Brazilian President Fernando Collor implied in a speech last week that the treaty could be later modified.

The US is the only country which has expressed these worries quite so strongly. But Mr Reilly claims "many countries share our fears but for their own political reasons don't have the nerve to come out publicly and say so". Other countries have admitted their concern privately that the treaty includes a "blank cheque" which would commit the rich countries to pour limitless technology and financial resources into the Third World.

This arises because the treaty says the

amount of money needed to make it work will be decided by a "conference of the parties" - the signatories. Since there are likely to be far more recipient country signatories than donor countries, the latter could easily be outvoted.

The UK and Japan are among those worried on this score. But both are likely to sign the treaty if it is made clear that the troublesome clause refers to money which is needed as opposed to money which must be provided.

A further controversy arose from a French proposal that countries draw up lists of species. Although the idea of a global catalogue is appealing, many countries objected because they feared that once a species was put on a list it would become protected and unexploitable. The idea was dropped, but France has said it will continue to explore it in other ways.

## Showpiece document pleases nobody much Keeping up the pressure

By David Lascelles in Rio de Janeiro

THE Rio Declaration, which world leaders will sign at the end of the summit, is supposed to be the showpiece of the event. Unfortunately, virtually everybody thinks it is a flabby document, but no one wants to be the first to pull it apart.

It consists of 27 principles enshrining what participants believe are the tenets of sound planetary management. Some are obvious: the first says human beings "are entitled to a healthy and productive life in harmony with nature". Others lay down key objectives, like sustainable development. Principle 3 reads: "The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations."

A third set reflects the tough negotiations that went into it. For example, Principle 2 recognises countries' rights to exploit their own natural resources, a point which Third

World states, particularly the tropical hardwood growers, wanted in. But this right is balanced by an equal obligation to ensure that "activities within their jurisdiction or control do not cause damage to the environment of other states".

Others stress the need to eradicate poverty and aid developing countries. In Principle 7, the industrial countries acknowledge a special responsibility "in view of the pressures their societies place on the global environment".

The main reason why the declaration is so flawed is that it was a compromise from the start. Originally, there was to be an "Earth Charter", a kind of crisp 10 commandments in simple language. That was thrown out because every country wanted to shade or add to the commandments to protect its own interests. The

declaration prepared instead is a highly political document dressed up in UN bureaucracy, so finely balanced that to alter even one comma might upset it.

"We're not enthusiastic about it. We'd like to see an Earth Charter which would be sharper, more focused and more accessible," says Mr Jean Charest, the Canadian environment minister.

Other participants have more specific criticisms. The Israelis are cross about Principle 23, which refers to "people under occupation", and the Vatican is opposed to Principle 8, which talks about "demographic policies".

The question, though, is whether anyone will demand that the agreed text be reopened. Everybody understands that the fine balance means changes to one part would require changes to others, setting off a chain reaction which could destroy the whole document. "I believe it would be a mistake to re-open the Rio declaration," says Mr Klaus



US Environmental Protection Agency administrator William Reilly takes a map on a flight to Rio

Töpfer, the German environment minister.

Much could however hinge on the US position. Mr William Reilly, the administrator of the Environment Protection Agency, says: "No country is fully satisfied with it. We would have liked a different thing. We have not decided yet

whether to seek a reopening."

The US does not like the parts which lay blame for environmental damage. It also objects to a section which refers to the "right to development". This could put economic rights above human rights, it fears, leading in extreme cases to child labour.



## DIARY

What happens after Rio is all over? Will the participating countries just disperse and forget all about it, or will someone be keeping up the pressure for action on the environment?

The main proposal - for which there is growing acceptance - is for a Sustainable Development Commission which would be part of the UN. This would be similar to the UN Commission on Human Rights, which monitors countries' record on environmental protection, and apply "peer group pressure" to those who lagged behind.

The Commission would report to the Economic and Social Council, which reports to the General Assembly, and would have over 50 members.

The exact details will be decided by the General Assembly in the autumn.

□□□ Mother Nature is delivering her own message to the Earth

Summit. Any doubts that delegates might have about global warming have been dispelled by a sweltering heat wave which has engulfed Rio. Even though it is supposed to be mid-winter, temperatures yesterday soared past 40 degrees Celsius, far above the seasonal norm. Some delegates took the opportunity of the Sunday break to snatch moments at the beach - where they must have rummaged about the dangers of climate change.

□□□ Pollution can be caused by many things - including war. Invasion-ravaged Kuwait has a specially poignant message for the summit. Its delegation office is decked in grisly posters of burning oil wells, shattered homes and oil-covered beaches.

The tiny oil state has brought a relatively large contingent of 50 people, including consultants and scientists, who are pushing the message that Kuwait is on the mend.

"We want people to know what happened during the

invasion, and also after the liberation," says Dr Abdulwahad Al-Fozan, the minister of health.

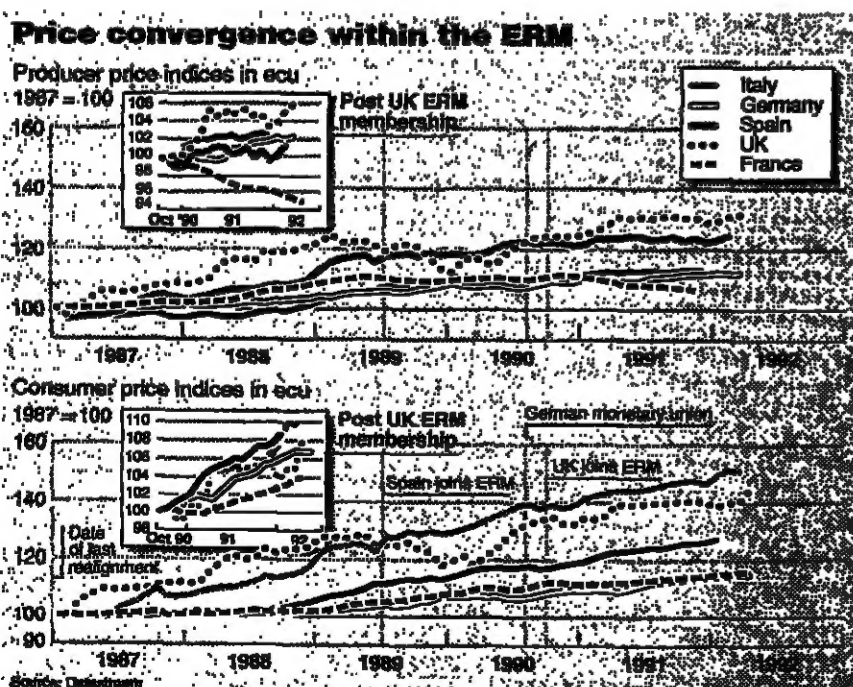
Only a few steps away from Kuwait's expansive office stands Iraq's much more modest one-room presence. It contains a large picture of President Saddam Hussein. But while the Emir of Kuwait will be coming at the end of this week for the ceremonial signing, Mr Saddam, sending his would not be enormously welcomed, has dispatched foreign minister Tariq Aziz instead.

□□□ The Brazilian Indians' claim that the jungle led to some conservation in Rio over the weekend when a well-known Indian spokesman appeared in the parallel non-governmental conference trying to sell a large spotted jaguar skin. Mario Juruna said he had killed the 8-foot animal and was determined to sell it, adding: "If Indians were free they would sell alligators, wild cat and other skins."

## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

UNITED STATES						JAPAN						GERMANY						FRANCE						ITALY						UNITED KINGDOM					
Consumer prices	Producer prices	Earnings	Unit labour cost	Real exchange rate	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour cost	Real exchange rate	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour cost	Real exchange rate	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour cost	Real exchange rate	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour cost	Real exchange rate	Real exchange rate						
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0						
1986	101.9	98.6	102.0	98.4	77.1	100.0	95.3	101.4	100.3	123.7	98.9	97.8	104.0	104.0	111.3	102.5	97.2	104.5	101.5	101.9	108.1	100.2	104.6	102.6	101.4	103.4	104.3	107.7	104.5						
1987	106.6	100.7	104.0	98.7	64.7	101.2	92.5	103.1	100.6	126.9	100.1	95.1	108.0	107.0	128.0	105.9	97.8	107.8	102.0	102.1	111.0	102.2	111.5	105.6	102.6	107.7	106.3	116.3	108.9						
1988	109.9	102.2	107.0	98.1	59.9	102.2	92.3	107.8	98.2	137.4	101.4	96.2	113.0	107.0	128.2	105.8	102.6	111.1	104.0	98.3	111.0	102.2	111.5	105.6	102.0	107.7	106.3	116.3	108.9						
1989	115.2	108.5	110.0	98.9	53.0	105.0	94.2	114.0	98.1	131.3	104.2	90.3	117.0	108.0	122.6	112.6	108.4	115.4	106.0	95.8	124.2	113.1	125.5	112.2	109.2	121.8	119.0	137.2	113.6						
1990	121.5	113.5	114.0	100.9	56.6	108.2	95.7	120.1	98.2	116.1	107.0	101.0	124.0	110.0	125.8	116.4	107.1	120.5	110.3	100.9	131.3	117.8	134.7	120.1	117.2	133.3	128.0	150.1	123.3						
1991	126.6	118.3	117.0	103.6	57.8	111.8	97.3	124.4	101.7	110.7	105.4	122.0	115.0	110.7	105.4	120.0	105.8	125.7	100.9	100.9	140.2	121.7	147.9	120.1	117.2	141.2	133.0	162.4	133.5						
2nd qtr.1991	4.8	3.4	2.9	2.7		3.1	2.3	4.3	3.0		3.1	2.2	n.a.	2.4		3.2	-0.7	n.a.	4.5		6.8	3.9	9.8	11.4		6.0	5.9	8.5	10.8	2nd qtr.1991					
3rd qtr.1991	3.9	1.9	3.2	2.6		3.3	1.7	3.3	4.0		4.1	2.8	n.a.	4.9		3.0	-1.5	n.a.	4.5		6.4	3.1	10.7	10.7		4.8	5.5	7.8	7.0	3rd qtr.1991					
4th qtr.1991	3.0	-0.2	2.9	1.8		3.2	0.0	3.2	4.0		4.3	2.0	n.a.	4.9		2.9	-3.8	n.a.	4.5		6.1	2.1	10.8	10.8		4.2	5.0	7.8	5.1	4th qtr.1991					
1st qtr.1992	2.9	0.3	2.3	0.3		2.1	0.0	2.0	4.0		4.3	2.0	n.a.	4.9		3.1	0.0	n.a.	4.5		5.7	0.0	9.2	9.2		4.1	4.5	6.6	4.5	1st qtr.1992					
May 1991	5.0	3.5	3.5	3.0	n.a.	3.0	2.4	4.0	2.0	n.a.	3.0	2.2	n.a.	3.5	n.a.	3.2	n.a.	-	n.a.	n.a.	6.8	3.8	10.4	n.a.	n.a.	5.8	5.9	8.3	10.8	n.a.	1991 May				
June	4.7	3.5	3.6	2.8	n.a.	3.3	2.2	4.6	2.6	n.a.	3.5	2.3	6.4	3.5	n.a.	3.3	5.7	4.2	n.a.	n.a.	6.5	3.7	10.4	n.a.	n.a.	5.7	8.7	9.0	10.8	n.a.	1991 June				
July	4.4	2.9	3.5	2.5	n.a.	3.4	2.0	1.9	3.0	n.a.	4.4	3.3	-	2.9	n.a.	3.4	n.a.	4.2	n.a.	n.a.	6.5	3.7	10.4	n.a.	n.a.	5.5	8.7	7.8	9.9	n.a.	1991 July				
August	3.8	2.0	3.5	2.9	n.a.	3.5	1.9	6.5	3.0	n.a.	4.1	2.7	-	6.4	n.a.	3.0	n.a.	-	n.a.	n.a.	6.3	2.8	10.9	n.a.	n.a.	4.7	5.6	8.3	7.9	n.a.	1991 August				
September	3.4	0.8	2.6	2.5	n.a.	3.0	1.1	2.9	4.0	n.a.	3.9	2.6	4.0	5.4	n.a.	2.8	n.a.	4.3	n.a.	n.a.	6.2	2.6	10.8	n.a.	n.a.	4.1	5.4	7.5	6.1	n.a.	1991 September				
October	2.9	-0.1	2.5	3.0	n.a.	3.1	0.3	2.8	4.1	n.a.	3.5	2.3	4.0	4.8	n.a.	2.5	n.a.	-	n.a.	n.a.	6.1	2.2	10.8	n.a.	n.a.	3.7	5.0	8.3	6.5	n.a.	1991 October				
November	3.0	-0.6	3.5	1.8	n.a.	3.2	0.0	2.7	5.0	n.a.	4.2	2.5	4.0	5.0	n.a.	3.0	n.a.	4.2	n.a.	n.a.	6.2	2.3	10.7	n.a.	n.a.	4.3	5.1	7.8	4.1	n.a.	1991 November				
December	3.1	-0.1	2.6	0.7	n.a.	3.0	-0.1	3.5	5.9	n.a.	4.2	2.6	6.3	9.0	n.a.	3.1	n.a.	4.1	n.a.	n.a.	6.0	1.9	10.4	n.a.	n.a.	4.5	4.8	7.2	4.7	n.a.	1991 December				
January 1992	2.6	-0.5	1.7	0.7	n.a.	2.1	-0.6	4.8	n.a.	n.a.	4.0	1.6	-	4.5	n.a.	2.9	n.a.	-	n.a.	n.a.	5.1	1.3	9.4	n.a.	n.a.	4.1	4.5	7.5	3.0	n.a.	1992 January				
February	2.8	0.4	2.6	0.3	n.a.	2.2	-0.6	1.2	n.a.	n.a.	4.3	2.0	-	3.6	n.a.	3.0	n.a.	-	n.a.	n.a.	5.3	0.1	9.1	n.a.	n.a.	4.1	4.4	7.8	2.8	n.a.	1992 February				
March	3.2	0.9	2.6	-0.2	n.a.	2.1	0.0	4.8	n.a.	n.a.	4.5	2.5	-	4.5	n.a.	3.2	n.a.	-	n.a.	n.a.	5.6	0.1	9.1	n.a.	n.a.	4.0	4.5	10.4	5.7	n.a.	1992 March				
April	3.2	0.9	2.5	0.2	n.a.	2.8	0.0	4.8	n.a.	n.a.	4.6	1.9	-	n.a.	n.a.	3.1	n.a.	-	n.a.	n.a.	5.6	0.1	9.1	n.a.	n.a.	4.3	4.8	10.4	5.7	n.a.					

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US - finished goods, Japan - manufactured goods, Germany - industrial products, France - intermediate goods, Italy - total producer prices, UK - manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (which rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour cost: seasonally adjusted, measured in domestic currencies. Germany - mining and manufacturing, other countries - manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.



## The exchange rate as a distorting price control

THE RESULT of the Danish referendum on the Maastricht Treaty throws greater doubt on the prospects for economic and monetary union. If Ecu is less likely, hopes of European monetary stability depend on the durability of the ERM. It has survived without a general realignment for almost 5 1/2 years. Can it continue to do so?

The underlying rationale for reliance on a fixed exchange rate as a means of controlling inflation is "the law of one price". This states that goods and services that compete closely with one another cannot sell for very different prices. Since the proportion of the economy open to international competition in the larger European countries would amount to about a third, the ERM should be viewed as basically a selective price control.

Yet it appears to be an effective one. Consider producer prices, which are the best indicator of the prices of tradable goods. The top section of the chart shows that since January 1987, the Ecu-denominated producer prices of Germany, France

and Italy, all members of the ERM, have moved together closely. By contrast, those of Spain, which joined in June 1986, and the UK, which joined in October 1990, deviated considerably, as exchange rates shifted.

Convergence of producer prices is not an iron law, especially over shorter periods. The small inset in the top section shows that since October 1990 producer prices have fallen by some 5 per cent in France, but risen by slightly more than that in the UK. For the UK, this does mean a disturbing loss of competitiveness.

A partial price control is likely to create distortions: the more effective the price control, the more serious the distortions. Among symptoms of too low a relative price - and so profitability - of tradable goods is a current account deficit during a recession, as in the UK today.

An indication of the shifts in the relative prices of non-tradable goods and services vis à vis those for tradable goods and ser-

vices is the



Ministers confident that working-time directive will not be imposed

## UK hopeful on EC hours rule

By David Goodhart,  
Labour Editor

UK GOVERNMENT ministers are confident that the new uncertainty about the Maastricht treaty makes it unlikely that the disputed working-time directive will be imposed on the UK when employment ministers meet on June 24.

The directive, which includes the proposal for a maximum working week of 48 hours, averaged over three months, has been delayed by UK objections. It was expected the directive would be forced through at the meeting. Britain cannot veto it as it is being

introduced under EC health and safety legislation and needs only a qualified majority to become law.

The directive has been amended in several areas to accommodate UK objections but is still unpopular with the government.

Department of Employment officials say that the government will either abstain or vote against at the meeting.

After the Danish referendum result, however, British ministers are more optimistic that other EC countries which support the directive will not want to be seen to be imposing an important measure, for fear of

inflaming more hostility to European integration.

That means that if the directive is to be accepted at all, the UK proposal that no worker can be forced to work more than 48 hours but may do so if he or she wishes, will probably have to be accepted by several countries - particularly France - that wanted something tougher.

The Portuguese presidency of the EC is still expected to want an agreement on the working-time directive on June 24, but will now have to ensure that it is watered down enough for the UK not to vote against. If that is not possible, a decision may be delayed again. The UK would then argue that the issue should be dealt with in the "social chapter" which 11 countries, excluding the UK, agreed at Maastricht.

Prior to the Danish referendum, the social chapter had been due to come into force next year.

Those countries which are keen on the directive might argue that due to the uncertainty surrounding the social chapter, the working-time directive may be all that can be achieved for the social dimension in the short-term, and that UK objections should therefore be ignored.

## Banker sees scope for cut in UK interest rates

By Daniel Green

UK interest rates could fall further if Japanese shares continue to weaken, according to a senior economist at Lloyds Bank.

Cheaper shares would encourage the Japanese authorities to cut interest rates in order to ease the pressure on banks, which are struggling to cope with falling asset values and bad debt.

Mr Sheldon Warton-Woods of Lloyds Bank argues that other countries would then reduce their interest rates in order to avoid a sharp weakening of the yen, which would help Japanese exporters.

However, Mr Warton-Woods said this effect would be felt more strongly in the US than in Europe, where the interest rate policy of the German Bundesbank is dominant.

Tokyo's Nikkei Dow index fell to a six-year low in April, although it has recovered slightly since then.

Japan has low inflation and could afford to cut interest rates to boost investment and company profits, Mr Warton-Woods writes in Lloyds Bank's monthly economic bulletin, published today.

## Palace denies royal crisis

By Robert Rice,  
Legal Correspondent

REPORTS in the British media of difficulties in the marriage of the Prince and Princess of Wales do not pose any constitutional crisis for the monarchy, constitutional experts said yesterday.

Lord St John of Fawley, the former Conservative cabinet minister, said that while the allegations published in The Sunday Times about the marriage based on the book Diana: Her True Story by Andrew Morton, "cast a shadow over the monarchy and must be very upsetting for the Queen," they did not represent a constitutional crisis.

In his book, Mr Morton claims that Princess Diana

attempted to commit suicide during the 1980s. The book details conversations with friends of the Princess who say her marriage is a sham and that she is convinced she will never become Queen.

Buckingham Palace would not comment on the allegations yesterday. The Princess did not co-operate over Mr Morton's book "in any way whatsoever," a spokesman said.

He denied that, in the wake of the divorce of the Princess Royal and the recent separation of the Duke and Duchess of York, the Palace's failure to refute the allegations was fueling a constitutional crisis. "What constitutional crisis? There is no constitutional crisis," the spokesman said.

It was pointless to speculate about the effect of a divorce of the Prince and Princess of Wales, because that was a purely hypothetical situation, he added.

"I am not worried about the future of the monarchy as a result of this. Perhaps it will lead people to take a more realistic view of the monarchy as ordinary people with ordinary problems."

Mr Brian Hanson, legal officer of the General Synod, the governing body of the Church of England, confirmed that the Prince of Wales could divorce and still succeed to the throne. "The only factor on the heir to the throne is becoming a Roman Catholic or marrying a Roman Catholic. In theory a divorce would be possible."

## BT assesses 'television by phone' service

By Raymond Snoddy

BRITISH Telecom, the UK telecommunications company, is exploring the commercial feasibility of delivering a television service to homes using existing telephone lines.

BT engineers have already demonstrated that the project is technically feasible, by transmitting good-quality pictures along ordinary telephone wires.

Mr Steve Maine, director of BT's visual and broadcast services division, is assessing the commercial implications of such an initiative and whether BT would need broadcasting partners in order to proceed.

If a choice of extra television channels could be delivered to everyone who already has a telephone, such a system could be a powerful competitor to cable television, and possibly even to satellite broadcasters.

Only one television channel can be delivered via a telephone line at a time. But if computer-controlled switching devices are installed at central points - for example, at telephone exchanges - then viewers could choose from a selection of channels.

Mr Maine believes that the first and possibly most economic use of the project would be to deliver individual feature films from a central library.

Assessing the commercial potential of television by telephone is still at an early stage, but Mr Maine has not ruled out the possibility of joint ventures with broadcasters and owners of cable television channels.

BT has over the past few years been pulling out of cable television. The company now has only a few remaining stakes, including that in the UK's pioneer cable television company, Westminster Cable.

## Post Office seeks lottery role

By Michael Cassell,  
Business Correspondent

POST OFFICE Counters, which runs Britain's 19,000 post offices, is seeking clearance from the Department of Trade and Industry to bid for a central role in operating the planned national lottery.

The organisation, which serves 28m customers a week, believes that it can be a front-runner among competi-

tors to help provide a nationwide network of outlets for the sale of lottery tickets.

The government is pledged to have the lottery - which is expected to raise at least £1bn a year for sport, the arts and charities - operating by 1994. It will be run on a day-to-day basis by the private sector under contract.

Competition to operate the lottery could be tough, with the national horse-race Total-

isator board, known as the Tote, and the football pools promoters among possible candidates.

As the sponsoring ministry, the DTI has to agree to the Post Office Counters initiative. The Post Office's public-sector status has tended to inhibit deals with the private sector, but management is hopeful that it will be permitted to submit its proposals for participating in the lottery.

### Britain in brief



#### Plan to speed sell-off of British Coal

The government has attempted to speed the privatisation of British Coal by increasing pressure on the electricity industry to agree a new deal with the corporation.

After months of stagnation, there are signs that the electricity generators and British Coal have agreed to work towards a deal under which generators would buy about 45m tonnes of coal a year, falling to about 30m within a few years.

PowerGen, one of the two large generators in England and Wales, will this week put an offer based on that deal to the 15 English and Welsh regional electricity supply companies. The generators will not agree to buy coal unless they can sell the electricity it generates to the regional companies.

#### Demonstration in Scotland

About 3,000 people took part in a march that ended in a rally outside the Conservative party's Scottish headquarters in Edinburgh on Saturday.

It was organised by Scotland United, a fringe grouping from the non-Conservative Scottish parties set up immediately after the general election to campaign for a referendum on the country's constitutional future.

However, the attendance was less than had been expected, and Mr Malcolm Bruce, departing leader of the Scottish Liberal Democrats, admitted to strategic errors before the general election.

#### Supervisors 'confused'

Supervisors are confused about what they do and where they fit into company structures, according to a Confederation of British Industry report published today.

The National Economic Development Office last year criticised the UK's 1m one million supervisors as badly trained, especially in comparison with those in Germany. A second study found that 96 per cent did not see improving productivity as their most important goal.

#### Bid to limit spending fails

Meetings called by Mr Michael Portillo, chief secretary to the Treasury, with government departments have failed to stop bids for expenditure in 1993-94 from far exceeding the government's target.

An unprecedented series of negotiations by Mr Portillo (below) appears to have trimmed the most excessive spending ambitions of cabinet members, but they have still submitted bids that together are much higher than the Treasury's £245bn planning total.



Among the departments likely to face the biggest squeeze are defence, health and environment. The Welsh and Scottish Offices have also been subject to particular scrutiny this year.

#### Major urged to act over BCCI

Mr Keith Vaz, the Labour MP, yesterday urged the prime minister, Mr John Major, to intervene in negotiations between the shareholders and creditors in the collapsed Bank of Credit and Commerce International to prevent lengthy litigation.

His plea comes in advance of consideration today in the High Court of the liquidation plan prepared for BCCI by Touche Ross, the accountancy firm, which includes compensation of \$1.7bn to creditors. The plan has already been approved by the government of Abu Dhabi, the bank's majority shareholder.

Creditors have criticised the size of the settlement and have threatened to sue for higher returns.

# ENTER THE 1992 NATIONAL TRAINING AWARDS NOW!

If you have been striving to achieve better results through training and can show the fruits of your labours it is time to reap the harvest.

The National Training Awards are presented to companies or individuals who have recognised the long-term benefits of training and can show the results of their commitment to it.

Results such as increased profits, new customers, higher standards, greater effectiveness or a better personal achievement.

By winning an Award you will gain public recognition of your excellence.

Companies will be able to use the Awards logo on their corporate literature to give an extra competitive edge, as well as motivating their workforce.

Individuals will find the Award recognises their successes and gives a financial contribution to help them continue their career development.

In addition to this, winners are invited to national and regional Award ceremonies which generate good publicity.

So reap the recognition you deserve by reaching for a National Training Award.

Act now to obtain free information about how to enter the Awards either as an employer or an individual by phoning

**0800 616 400**



**MBA PROGRAM**  
A 14 month training  
in International Management

Paris (20 weeks)	Eastern Europe (3 weeks)	New York (20 weeks)	Tokyo (10 weeks)	Asia (6 weeks)
---------------------	-----------------------------	------------------------	---------------------	-------------------

**ISG**  
INSTITUT SUPERIEUR DE GESTION  
State approved private business school - State accredited degree  
6/5, rue de Lota - 75116 Paris, France  
For further information call Isabelle de Batz, in Paris (France)  
TEL: (33-1) 45 53 60 00 Ext.: 66 44



## CLASSIFIED BUSINESS TRAVEL

## FLIGHTS

Direct flights to  
Brittany & Normandy

Choose selected flights to Brest, Caen,  
Le Havre or Rennes. Plus seasonal  
service to Quimper.

For your free handy timetable  
ring now on

0293-502044

**Brit air**  
From Gatwick & Cork on schedule

## CONFERENCES



TUE: 9th - 10.00am to 6.00pm  
WED: 10th - 10.00am to 7.30pm  
THU: 11th - 10.00am to 5.00pm  
TEL: 081-742 3399

The Financial Times has geared itself up to tackle the  
challenging business travel sector and has recently  
launched a new section.

CLASSIFIED BUSINESS  
TRAVEL

Every Monday this section provides advertisers  
with the opportunity to promote themselves directly to  
our high quality executive readership. Whether you  
need to reach individual business travellers, corporate  
travel decision-makers or conference organisers, the  
FT's "business travel" section provides you with the  
ideal forum.

To reserve advertising space in this exciting new  
section, contact Mark Hall-Smith on 071 407 5755.

£34m work  
for Lonrho  
companies

The contracting divisions of  
Lonrho, BERNARD SUNLEY &  
SONS and TURRIFF CON-  
STRUCTION, have won UK  
contracts worth over £34m dur-  
ing recent months.

Some of the contracts won  
by Bernard Sunley & Sons  
include alterations and fitting  
out of offices and a new depot  
and industrial units at Croy-  
don for Seaboard at a com-  
bined value of £7.1m, a shel-  
tered housing scheme at  
Guildford for Guildford Bor-  
ough Council valued at £3.2m,  
the design and construction of  
a welfare complex in London  
for the BBC valued at £2.1m,  
design and construction of a  
24-lane bowling club and a  
bingo club at Telford for Bar-  
clay Development together with  
its fitting-out for the Rank  
Organisation at a combined  
value of £2.3m, office extension  
and warehouse at Epsall for  
JW Spear & Sons valued at  
£1.3m, the refurbishment of a  
transmission station at Potters  
Bar for the BBC valued at  
£500,000 and construction of  
New Gate Lodge at Luton for  
Vauxhall Motors valued at  
£500,000.

Turriff Construction's recent  
contracts include the construc-  
tion of a mechanised letter  
office at Manchester for Royal  
Mail Property Holdings valued  
at £8.8m, the design and con-  
struction of a three-storey  
office block at Telford for Lon-  
rho and Telford Developments  
valued at £3.2m, a sheltered  
housing scheme and conver-  
sion of 20 dwellings into 32  
homes at Birmingham for Mer-  
cian Housing Association, val-  
ued at £1.9m, refurbishment  
works to a factory at Salford  
for Colgate Palmolive valued at  
£1.3m and civil works at a new  
substation at Newark-on-Trent  
for The National Grid Com-  
pany, valued at £200,000.

## M1 project

FITZPATRICK CONTRAC-  
TORS has been awarded a  
£4.84m contract on the M1  
between junctions 11 and 12 by  
Bedfordshire County Council.  
The contract comprises the  
resurfacing of the northbound  
carriageway and hard shoulder  
and the reconstruction of the  
central reservation (including  
drainage, service ducts and  
lighting).

CONSTRUCTION CONTRACTS  
Housing the Prison Service

The new headquarters building planned for Her Majesty's Prison Service in Derby

FAIRCLOUGH BUILDING, the  
AMEC Group specialist, has  
been awarded a £57m contract  
by developer Hyperion Prop-  
erties, a subsidiary of NPG, for  
construction of a 450,000 sq ft  
headquarters building at Derby  
for Her Majesty's Prison Ser-  
vice.

Forming part of the Govern-  
ment's Common User Estate,  
the four-storey headquarters

building will be situated at St  
Mary's Wharf, to the north of  
Derby town centre, and will  
provide modern air conditioned  
offices for up to 2,000 people, 60  
per cent of whom are expected  
to relocate from London.

The steel-framed headquar-  
ters building with curtain wall  
cladding and full air condition-  
ing has the support of the  
Royal Fine Art Commission

and will provide maximum  
flexibility of office space inter-  
linked with specialist facilities  
including conference rooms,  
dining area, fitness suite and  
cresche.

The curtain walling on the  
structure, which will be Derby's  
largest office building, is  
believed to be one of the largest  
aluminium curtain walling  
contracts ever let in Europe.

## Water treatment works at Tewkesbury

EDMUND NUTTALL has  
recently won almost £20m  
worth of contracts in the water  
industry sector. The four dif-  
ferent projects are to be under-  
taken in Gloucestershire,  
Gloucestershire, North Yorkshire  
and Northumberland.

Several Trent Water has  
awarded Nuttall a contract for  
the civil engineering and build-  
ing works associated with a  
GAC/Ozone scheme at Mythe  
water treatment works.

In Gloucestershire, Nuttall  
has won a £12.1m contract to  
be undertaken over a 91-week  
period.

The main civil engineering  
works consist of piled founda-

tions for all structures, two  
reinforced concrete ozone con-  
tact tanks, road works and  
associated drainage. There are  
also substantial building works  
associated with the scheme,  
including other ozone produc-  
tion facilities, a substation and  
pumphouse, secondary GAC  
[granular activated carbon]  
contactors with sub and super-  
structures, sedimentation  
tanks/filters and various mod-  
ifications to buildings.

In Scotland, Nuttall has won  
a £6.8m contract from the  
Department of Water Services,  
Grampian Regional Council.  
As part of the £25m River Spey  
water abstraction scheme, this

18-month first phase is to  
install 36 tubewells, submersi-  
ble pumps and headworks, col-  
lector pipeline along the well-  
field, access roads and two  
control buildings.

The wellfield complex will be  
situated some 50 - 80 metres  
inland from the west bank of  
the River Spey between Red  
Burn and Fochabers Bridge.

The other contracts are for  
efficient treatment tank bases  
in Cramlington, Northumber-  
land, for Sterling Organics  
(2816,646) and the Briggs-  
wath river gauging station near  
Whitby, North Yorkshire, for  
the National Rivers Authority  
[2325,088].

## £18m workload won by Wiltshire

WILTSHIRE CONSTRUCTION  
GROUP, based in Harmond-  
sworth, Wiltshire, has gained  
a broad package of contracts  
totalling over £18m since the  
general election.

A £3.4m office and residen-  
tial development for Balbus in  
Canterbury and due for com-

pletion in 1994 is the largest  
single project. At Tisbury in  
Staffordshire, Wiltshire has  
commenced work on a £2m  
coffee extractor building for Nes-  
tle.

Other new group contracts  
include a £2.5m housing pro-  
ject for the Ardrossan Housing

Association at Ardrossan in  
Strathclyde, a £1.2m contract  
to fit out new offices in St  
Katherine's Way, London, E1  
for Gilling Fraser and a £1.5m  
project for Vodafone to build a  
cell site network for MCN  
Communications throughout  
the south of England.

Trafalgar  
House wins  
£30m orders

TRAFALGAR HOUSE GROUP  
companies have won more  
than £30m of work in the last  
few weeks for projects at home  
and abroad.

In central London, Trafalgar  
House Construction Manage-  
ment has secured two con-  
tracts together worth £18m.  
The Croydon-based company is  
to refurbish the Willis Corroon  
Group's five-storey corporate  
headquarters at 10 Trinity  
Square while the client is still  
in occupation and without dis-  
rupting its daily business.

At the BBC's Bush House  
headquarters in the Aldwych,  
WC2, work is underway to  
upgrade the World Services  
studios in the central block of  
the north wing. This project  
includes demolishing redund-  
ant studios, offices and con-  
tainers and replacing them  
with offices, audio work-  
shops and studios.

The company has also been  
awarded the initial stages for  
the first phase of a £100m resi-  
dential golf community in Mar-  
bella, Spain, called Altos de  
Los Monteros.

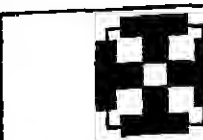
The regional business of  
Trafalgar House has been  
awarded orders worth almost  
£12m for building work at HMS  
Heron, HMS Warrior, RAF  
Lyneham and civil engineering  
projects in Essex, the West  
Country, Scotland and the Mid-  
lands.

## Road design

RENDEL PALMER & TRIT-  
TON has won its second road  
contract in Ghana within a few  
months. It has been commis-  
sioned to update earlier  
detailed design and assist in  
letting the tender for an EC-  
funded project to build a new  
road along an existing 54km  
unpaved road alignment west  
of Kumasi.

The road will be useful for  
the timber and cocoa export  
industries and runs through  
the primary and secondary  
rainforest of the Brong-Ahafo  
region of Western Ghana. Its  
sub-standard alignment and  
propensity to flooding renders  
the road unusable at certain  
times of the year.

The earlier work involved  
evaluation and design improve-  
ments to enable the road to  
accommodate higher traffic  
volumes and heavier lorries.



Hall & Tawse  
Group Limited

CONSTRUCTION  
DESIGN AND BUILD  
SPECIALISTS WORKS

Hall & Tawse Group Limited  
Aldershot Road, Macclesfield, Cheshire SK10 4BT  
Telephone: 0932 284254 Fax: 0932 284466

Superstore  
scheme in  
Plymouth

BOVIS CONSTRUCTION, a  
P&O Company, has been  
awarded a £7.6m management  
contract to build and fit out a  
45,500 sq ft store for Sainsbury  
on the outskirts of Plymouth.

Bovis is breaking new  
ground with this project,  
which is being built above a  
series of natural springs,  
requiring the installation of a  
special geotextile membrane  
beneath the building.

Used more frequently on  
civil engineering projects, this  
is believed to be the first time  
this technique has been  
employed to protect a building.

The membrane (which con-  
sists of one impervious and one  
pervious layer) will filter the  
natural water as it rises,  
diverting it to the sides of the  
store, where it will then flow  
into special drainage channels.

Construction work has  
already started to excavate the  
4.5 acre site to a depth of 12 ft  
in readiness for the membrane.  
Once it is in place, work will  
start on the single-storey steel-  
framed structure.

The exterior of the store will  
feature decorative arches, clad  
with Blenheim natural brick,  
and a flat roof finished with  
slate clad mansards.

## Supermarket plan

CLUGSTON CONSTRU-  
TION has been awarded a  
£5.7m contract to construct a  
supermarket with a retail sales  
area of 32,000 sq ft for Mar-  
riotts at Wakefield, West York-  
shire.

The 50-week contract, which  
is being handled by Clugston's  
Leeds office, is for a building of  
75,000 sq ft which includes  
offices plus extensive car park-  
ing facilities and landscaping.

The location is on Dewsbury  
Road on the outskirts of Wake-  
field on the site of the former  
Westgate Brickworks.

## CONFERENCES &amp; EXHIBITIONS

## JUNE 12

European Economic  
Information  
Half Day: 9.00 - 1.00pm  
Content: A half-day seminar to be held at  
London Business School. Key speaker:  
Prof. David Currie, LBS Centre for  
Economic Forecasting on the Economic  
Future of Europe for businesses. Cost  
£95.00 Contact name: Yvonne Davies, EELA,  
262 3030 ext 229 Location: London  
Business School

LONDON

## JUNE 16

TAURUS  
The London Stock Exchange's new  
electronic system of share ownership  
replacing share certificates. UK quoted  
company boards will need shareholders  
approval before joining. Top speakers  
from the LSE and IOD provide guidance  
to directors.  
Enquiries: Director Conferences  
071 730 0022

LONDON

## JUNE 17

Managing People For  
Competitive Edge  
One essential component to business  
success is competent, well motivated and  
motivated people. This Institute of  
Directors seminar provides a sequence of  
practical steps to develop and implement  
plans to improve staff performance.  
Enquiries: Director Conferences  
Tel: 071 730 0022.

LONDON

## JUNE 18

Foreign Exchange Options  
Courses  
Intensive one-day course covering various  
aspects of the FX Options Markets:  
Trading Strategies, Forward Arbitrage  
Calculations, Pricing Models, Hedging,  
Volatility Exposure & Time Decay.  
Venue: Cambridge Science Park,  
CAMBRIDGE. £345. Contact: Gillian  
Bockett, Brady Financial Seminars.  
Tel: 0223 423290

CAMBRIDGE

## JUNE 18 &amp; 19

A Changing South Africa:  
Internal Challenge and the  
External Dimension  
Convened by The Royal Institute of  
International Affairs and The South  
African Institute of International Affairs.  
To be held at Chatham House, London.  
Enquiries: RIIA Conferences  
Tel: 071 957 5700 Fax: 071 957 5710

LONDON

## JUNE 22 &amp; 23

The Allocation of the Radio  
Spectrum  
The conference will provide a broad  
international perspective of  
developments; consider the allocation of  
the radio spectrum; what services should  
be run on it, competing or monopoly; and  
how transnational services can be co-  
ordinated. Enquiries: Financial Times  
Tel: 071-925 2323 Fax: 071-925 2125

LONDON

## JUNE 23

Manufacturing In The South  
East: Wealth Generation For  
The Future?  
One-day conference addressing key issues  
in the South-East, including: - Will  
regional benefit manufacturing? The  
benefits of a balanced economy? Is  
prosperity to Europe an advantage? For:  
£195. Contact: Sarah Dawson, EELA,  
Tel: 071 222 7777

KEMPTON PARK

## JUNE 23 &amp; 24

Ensuring Environmental Audit  
Effectiveness and Credibility  
Conference Fee: £430+VAT.  
Comprehensive documentation pack £90.  
Dorchester Hotel. To register contact  
Geraldine Byrne, Business Information  
and Communication Services Ltd (BICS)  
Tel: (UK +44 181) 0811 427 9999  
or (081) 427 2734  
Fax: (081) 427 9351

LONDON

## JUNE 24

RECOVERY AND  
OPPORTUNITY  
Life After the Recession. THE HENLEY  
CENTRE Special One-Day Conference.  
How will the recovery develop? And what  
will the implications be for consumer  
behaviour? Contact Anna Dwyer Tel: 071  
353 9961 Fax: 071 353 2899.

LONDON

## JUNE 24-25

Executive Information Systems  
'92 Annual Conference and  
Exhibition  
Major independent event for EIS sponsors,  
developers and managers with 16 outstand-  
ing US and European speakers, many live  
system demonstrations and a comprehen-  
sive EIS supplier exhibition.  
For full colour brochure ring Business  
Intelligence: 081-544 1830  
Fax: 081-544 9020

LONDON

## JUNE 25

Work at VDUs  
A vital, one-day seminar for senior  
management on the implications of recent  
legislation (RSI) and forthcoming  
legislation (VDU Directive) Presented by  
Colin Mackay - HAS, Brian Pearson -  
Consultants Ergonomics, Tom Stewart -  
Chairman ISO TC 159 SC4 Bell Howe  
Consultants Tel: 0602 436243  
Fax: 0602 436440

LONDON

## JUNE 25

Prospects for the British  
Economy  
The 3rd annual conference for business  
forecasters. Speakers include Roger  
Boote, Midland Mortgage House Limited,  
Monopolies and Mergers Commission  
and chairing Professor Sir Douglas Hague  
CBE. Enquiries: Pam Ogden, Manchester  
Business School, Tel: 061 275 6296 Fax:  
061 275 6582

MANCHESTER

## JUNE 25

Chemical Industry  
International Trade Controls  
This one day conference organised by the  
Chemical Industries Association aims to  
dispel confusion over the plethora of  
current legislation covering trade  
controls. To be held at the Royal Garden  
Hotel, Kensington. Please contact  
Kathleen Drake on 071 834 3399

LONDON

## JUNE 25-26

Alliances and Partnerships: A  
European Perspective  
Dr Jordan Lewis and Professor Mitchell  
Kozlowski will be joined by senior executives  
from key European companies to discuss  
strategic approaches to alliances and  
partnerships. For further information  
contact Jo Bradley, The Economist  
Conferences. Tel: 071-493 6711

LONDON

## JUNE 28 - JULY 1

FOF/WIA Futures/Options  
Conference  
Europe's premier futures/options industry  
event. Speakers include senior executives  
from Bank of England, LIFER, CBOT,  
CME, MATIF, DTS, Federal Reserve  
Bank, General Motors, Prudential  
Hollabaugh, etc.  
Contact: Futures and Options World  
Tel: (081) 330 4311 Fax: (081) 337 8943

LONDON

## JUNE 29 - AUGUST 7

Summer Courses In  
International Studies and  
Management  
At the London School of Economics.  
Intensive programmes, taught at London  
University degree standard, providing an  
opportunity for enhancing the existing  
skills of professionals, managers and  
businessmen. Contact: Nicola Meakin.  
Tel: 071 955 7227 Fax: 071 955 7876

LONDON

## JUNE 30

OIL PRICE RISK  
MANAGEMENT  
The development of products and  
techniques for hedging and trading in the  
oil market continues at a rapid pace. This  
seminar will make industry executives to  
choose the right derivative instrument.  
Speakers, from SITCO, NYMEX, IPE,  
TFS Energy.  
Futures and Options World Tel: (081)  
330 4311 Fax: (081) 337 8943

LONDON

## JUNE 30

TRADING TECHNIQUES  
A seminar in which a group of traders  
talk about technical analysis, making  
money and survival. Representatives from  
Banco Commercial Italia, John Cowett, A  
LIFFE local, and Cargill Investor  
Services discuss what influences the way  
they trade and what systems they use.  
Futures and Options World Tel: (081)  
330 4311 Fax: (081) 337 8943

LONDON

## JUNE 30

Basic Introduction to Futures  
and Options  
Lewyers, accountants, bankers, IT  
vendors, local authorities and consultants  
have to gain a basic understanding of the  
Futures markets. This seminar at the  
Europa Futurs and Options Exhibition  
aims to de-mythify the whole industry.  
Futures and Options World Tel: (081)  
330 4311 Fax: (081) 337 8943

LONDON

## JUNE 30

Selling your Way into Europe  
Europe's new combined East West market  
presents an opportunity that industry must  
exploit. Organized by EELA, this one-day  
workshop offers practical advice on  
researching and penetrating this market.  
For £195.00 + VAT. Contact: Sarah  
Dawson Tel: 071 222 7777

BASINGSTOKE

## JULY 1

Investment Opportunities in  
Sweden  
Mr Per Westerberg, Swedish Industry  
Minister will give the keynote opening  
address on Sweden's industrial policy and  
privatisation programmes. The reform of  
corporate tax structure and changes in  
corporate legislation will also be  
reviewed. Enquiries: Financial Times.  
Tel: 071-925 2323 Fax: 071-925 2125

LONDON

## JULY 2

Base & Precious Metals  
Options Course  
Intensive one-day course covering various  
aspects of the Base & Precious Metals  
Options Markets: Trading Strategies,  
Backwardations, Pricing Models,  
Hedging, Volatility Exposure & Time  
Decay. Venue: Cambridge Science Park,  
CAMBRIDGE. £345 Contact: Gillian  
Bockett, Brady Financial Seminars. Tel:  
0223 423290

CAMBRIDGE

## JULY 2-3

Privatization  
Worldwide ministers, officials, and  
experts will gather at Sixth London  
Privatization Conference. Speakers  
include Sir William Kyte (IFC), Ibrahim  
Elwan (World Bank), John Mullen  
(USAID). Themes include regulation,  
management reform, attracting foreign  
finance, developing a stock market.  
Enquiries: Adam Smith Institute  
Tel: 071 222 4995 Fax: 071 222 7544

LONDON

## JULY 6

Creating A Business Oriented  
IT Department  
This one day management conference exam-  
ines the opportunities, problems and critical  
factors involved in redefining IT depart-  
ments to be more responsive to business  
needs. Contact: Business Intelligence  
Telephone: 081-544 1830  
Fax: 081-544 9020

LONDON

## JULY 6 &amp; 7

Telecommunications & The  
European Business Market  
The liberalisation of the European  
Telecommunications market, the new  
alliances that are being formed to meet the  
global communications needs of business  
customers. Enquiries: Financial Times  
Tel: 071 925 2323  
Fax: 071 925 2125

LONDON

## JULY 6-7

MANAGING FINANCIAL RISKS  
This workshop is an intensive, practical  
course aimed at those who wish to  
understand the principles and practices of  
financial risk management.  
Enquiries: Financial Times Conference  
Organisation. Tel: 071-925 2323  
Fax: 071-925 2125

LONDON

## JULY 7

VAT AND THE SINGLE  
MARKET  
Failure to prepare for the changes which  
take effect on 1 January 1993 may result  
in fines and wasted management time for  
all businesses trading in the European  
Community. This seminar provides  
practical advice for owner managers on  
how to avoid both. Contact David  
Wilkinson, Ernst & Young Tel: 071 931  
2335 Fax: 071 353 8134

LONDON

## JULY 13-17

EXECUTIVE SECRETARIES  
SECOND ANNUAL SUMMER  
SCHOOL  
Join secretaries from across Europe on  
this 5 day residential course designed to  
develop motivational and advisory skills.  
Learn to set goals, broaden job  
responsibility and reach full potential.  
Contact: Glagier Irvine, Mooradood  
International Ltd Telephone: 081-871  
2546 Fax: 081-871 3866

LONDON

## JULY 14 &amp; 15

Financial Skills for the Profit  
Motivated Manager  
Practical, in-depth knowledge for non-financial  
executives. A two day course enabling  
you to implement financial and accounting  
techniques and enhance your profitability.  
Contact: FIBEX Tel: 071-489 9944 Fax:  
071-236 6140

LONDON

## AUGUST 24-28

IT - The Critical Issues For  
Management  
Healey Management College in  
association with Mooradood International  
present their second annual residential  
summer school designed to help  
management achieve competitive  
advantage through innovative IT  
strategies. Contact: Sharon Crabtree,  
Healey Management College.  
Tel: 0491 571454 Fax: 0491 571635

OXFORDSHIRE

## SEPTEMBER 14&amp;15

EUROPEAN PACKAGING  
LEGISLATION  
In association with INCPEN, covering the  
latest developments in UK packaging  
law, the German influence together with  
an in-depth look into the developments  
within France and the Netherlands - for  
lawyers and industry alike. Contact:  
Christine Richards, IBC Legal Studies and  
Services Limited. Tel: 071 - 637 4383.

LONDON

## SEPTEMBER 17&amp;18

INTRODUCTION TO M&A IN  
EUROPE  
If you are considering a European  
acquisition, there is a 50%







## MANAGEMENT

Companies are seizing opportunities to make their money work harder, says Charles Batchelor

## Sterling work in the treasury

Until it was privatised just over two years ago, South West Water had relatively little money to manage. Over the previous 10 years, the company had built up debts of £130m, which were managed by the same man who also ran the payroll and settled the company's bills.

Privatisation changed all that. In just two years, SW Water has put together borrowing facilities worth £500m. It has begun using revolving credits, signed up leasing facilities and last February, made its first long-term sterling bond issue.

From managing SW Water's money part-time, Derek Bancroft has taken over full-time responsibility for managing treasury operations and now has an assistant and a money dealer to help him. Much of his time is spent maintaining contacts with City institutions and the banks on which this more elaborate financial framework depends.

SW Water was prompted into taking treasury management seriously by its conversion into a public company. Other corporations are being forced by an increasingly uncertain environment to improve their treasury management skills.

The break-down of the Bretton Woods system of fixed interest rates in the early 1970s and the deregulation of the banking industry have both created greater opportunities and threats for companies with money to manage.

It is just over a year since Allied-Lyons, the UK drink and foods group, announced a £150m loss on foreign currency operations while, in the non-commercial sector, many local authorities are still smarting from losses incurred from entrusting funds to the failed Bank of Credit and Commerce International.

Every company has to manage treasury operations even if it does not apply a formal label to the activity, says Gerald Leahy, director general of the Association of Corporate Treasurers. Treasury may

involve handling relations with the company's banks; arranging cash transmissions; dealing in foreign currencies; and raising outside finance. Depending on the size of the company, these dealings may be handled by anyone from the chairman, through the managing director and finance director to the company secretary.

Companies probably need to take on a full-time treasurer when turnover reaches £200m-£250m, says Derek Ross, partner in charge of treasury management at accountants Touche Ross. But they may need to move earlier if they have sizeable borrowings or significant foreign exchange activities, typically from £50m upwards.

Wassall, a listed manufacturing and distribution group with projected turnover of £250m, decided to review its treasury management systems in the wake of Allied-Lyons' foreign exchange losses. "We got our auditors to do a 'quick and dirty' review to see if there were any black holes," says David Boper, finance director.

Wassall has completed the first stage of beefing up its treasury systems by introducing basic controls in group subsidiaries to avoid problems and to hedge any foreign exchange exposures above agreed limits. The second stage will be to appoint a full-time treasurer to monitor these operations centrally and to plan ahead.

At present it hedges its foreign exchange exposure when booking an order but it does not yet hedge anticipated exposure for the coming 12 months.

Central control will allow the company to match foreign exchange needs, setting purchases against



sales, and reducing the need to deal with the banks. But while full-time treasury management only becomes necessary and affordable when a company has reached a critical mass, even small companies are becoming more sophisticated in managing their money.

Primasil, a Herefordshire-based

manufacturer of silicon rubber compounds and mouldings took out an interest rate cap on £250,000 of borrowings at the suggestion of its bank manager. The cap means that Primasil, which expects turnover to rise to £1.5m this year, has frozen interest rates at 11 per cent for the next three years.

It took National Westminster Bank four months to sell its first interest rate cap in 1987 but demand has taken off and it has sold more than 1,600 since January, says Chris Fountain, senior manager of the bank's capital markets unit. NatWest has reduced the minimum size of cap available to £100,000 from

£5m in response to increased demand from smaller customers, with sales of £1m or more.

Michael Pearce, founder of Pearce Management Consultants, based in Hertfordshire, says demand from smaller, unquoted companies for treasury advice has grown over the past year. "Financial directors like to have a framework to operate in," he says. "Before, if they speculated, they would get it in the neck."

But much of Pearce's work does not involve advising companies on arcane financial transactions: it is a question of finding basic solutions to management problems.

One British company was invoicing customers in Zambia in sterling for supplies bought in dollars in the US, thereby running an exchange rate risk. It did not matter to the Zambians which of the two currencies they used so Pearce suggested invoicing in dollars to cut out the exchange risk.

Pearce spends a few hours a week with some of his clients handling their treasury operations. Not only would the smaller company be unable to afford the £40,000-£50,000 salary of a full-time treasurer, it would not have enough business to keep him occupied. "He would become bored and tempted to play the market," warns Pearce.

But the scope for mistakes or deliberate wrongdoing in treasury is so vast that tight controls are necessary in any organisation. "Problems arise when the board does not realise what risks are being taken," comments Leahy. "If the finance director or the other directors do not understand a particular transaction, they should ask the treasurer to explain its effect on their financial and tax position."

Leahy advises against appointing "a star footballer from outside who feels he has to prove himself" but who does not understand the business. Better to choose a senior manager from within the company and get him to recruit the technical people, he suggests.

The smaller the treasury team the more difficult the problem of control since there will be fewer people to oversee the work of others, says Ross. There must be an absolute separation of the three stages of dealing, confirmation and settlement, he advises.

Ross believes that the recent controversy over whether treasury operations should be considered as a cost centre, merely providing services to other parts of the company, or as a profit centre, with a mission to make profits, really hinges on the question of control.

"People who don't understand treasury say the 'profit centre' approach encourages speculation, but in a bigger group, it is the only way to measure added value," he says.

Reuters, the financial information group, aims for a middle road between the cost and profit approaches, according to Philip Wood, director of treasury. With 80 per cent of its revenues from outside the UK, Reuters manages its foreign exchange exposure to avoid large fluctuations in its earnings, he says. At the same time, it measures the success of its treasury operations against the exchange rates laid down in its budgets. In the past two years, treasury has made a profit of £12m.

Companies sceptical of the benefits of treasury management believe that the creation of the European exchange rate mechanism (ERM) and the prospect of declining interest rates will reduce its relevance. But Leahy and other treasury specialists point out that many important trading currencies, such as the dollar, will remain outside the ERM while there is no long-term guarantee of cheap money.

## Spreading the Coke message from Pole to Pole

Christopher Bobinski reports on a whole new way of work for staff at the Gdynia bottling plant

"THE OVERALLS are clean and pressed and waiting for you every morning and you don't have to sign a shirt for them." This is what strikes the 230 Poles who have started work at Coca-Cola's new bottling plant in Gdynia.

"We find people who wear them take more pride in their work and it makes them stand out when they drive out to town," says Michal Rossa, the company's manager. Rossa got the job after placing an advertisement seeking work in the newspaper when he was deputy head of a state-owned shipping company.

From Rossa down, all employees find the style different, the pace

faster and the pay higher than they had been used to in state companies. "I didn't do much where I worked before but I didn't earn much either," says one employee on the bottling line in Gdynia.

Many also speak of a friendly team spirit, with management much ready to delegate responsibility. The new management praises the underlings for their enthusiasm and readiness to work.

Pay levels at the new factory are not made public, as they were in the old state sector. Indeed employees are discouraged from talking about how much they earn.

However, the clash between the old ways of socialist management and the brand new style that Coca-Cola affects is not as great as might appear at first sight.

Most skills are still learnt on the job, although there is some train-

ing for the sales people. Even Rossa worked out the management methods he is now using while he was in his previous job. "I just couldn't enforce them there so I left."

The chief difference is a rigorous staff selection process which includes repeated interviews. At Gdynia, there are aptitude tests to help pick the right person from the 10 who apply for each job.

"We wanted young people," says

Rossa, adding that talent and ability to learn counted more than previous experience. Keeping staff is made easier by the area's 12 per cent unemployment.

Not all the employees came from the state sector. For instance, Tomasz Perspekto, the head of production at Gdynia, worked before at a local, Swedish-owned fish canning operation.

Coke is concentrating its efforts

on marketing and maintaining contact with the point of sale - and is already breaking ingrained habits among retailers and competitors alike.

"I have to visit between 15 and 20 shops every day, making friends with the owners and checking they have the product, are displaying it prominently and that it looks good," says one ambitious 30-year-old who previously drove an inter-

city bus. "I have no complaints." Neville Isdell, president of Coke's north-east Europe-Africa division, sees no threat from trade unions at Gdynia.

"We are present in 185 countries and we work with trade unions in some and without trade unions in others. We have no rule about that." So far there is no sign that the Gdynia plant will have a union. For the moment the employees seem intent on the prospects of vertical promotion.

"After all," says one sales representative, "Donald Kough, the Coca-Cola president, started as a delivery boy and he made it to the top."

## PRIVATE INVESTORS!

New issues - which of them should you be looking at if you want to make money?

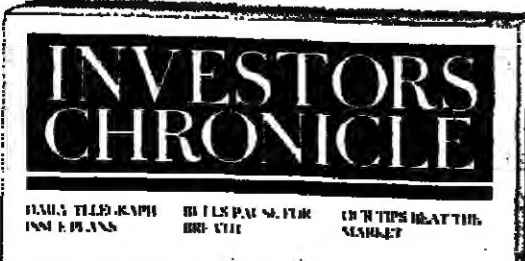
Wellcome - the drugs giant will be issuing £4 billion worth of new shares next month - a special focus.

Plus - practical advice on planning a savings and investment strategy to suit your own needs.

It's all in  
Investors Chronicle  
5th June 1992

INVEST IN  
THE CHRONICLE

Out every  
Friday  
£1.50



From your  
local  
newsagent

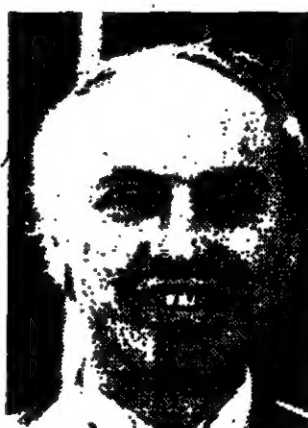
A FINANCIAL TIMES MAGAZINE

## PEOPLE

## Shell Shock

SHELL TRANSPORT AND TRADING has yet to put a woman on its board but it has demonstrated that it is more imaginative than many British multinationals by appointing its first academic, Professor Bob O'Neill, Chichester professor of the history of war at Oxford, as joint Shell as a non-executive director.

Until now the non-executive members on Shell's board have consisted of retired senior civil servants, ex-diplomats and well-connected businessmen. But the company has tended to pick its non-executive directors for their broad strategic vision rather than their specialised expertise, so the choice of a



55-year-old Australian military historian and veteran of the Vietnam war is not as big a break with tradition as it might at first seem. Shell Transport, the British

end of the Royal Dutch Shell group, is one of the world's most successful oil companies and analysts often ascribe its success to its ability to think very long term about where its business is going. Whereas other oil multinationals tend to be buffeted by short term events, Shell puts a lot of effort into scenario planning exercises. Its board of directors tend to be tapped for their political skills rather than their abilities to explain the latest change in accounting standards.

Given this background, Professor O'Neill's expertise will come in handy. A Rhodes scholar, he served in the Australian army between 1955 and 1963, has been the official Australian historian for the Korean

war, and headed Australia's strategic and defence studies centre for a decade until 1982.

He then directed the International Institute for Strategic Studies in London for five years and since 1987 has been based in Oxford where he is a fellow of All Souls.

Professor O'Neill is the second non-executive appointment to the Shell board in recent months. Last November, Sir Anthony Acland, 62, former head of the diplomatic service and ambassador to Washington, was appointed. They replace Edmund Dell, a former Labour secretary of state for trade, and Sir Michael Palliser, a former head of the diplomatic service, who have retired on reaching 70.

## Limerick for AMP

AMP, Australia's biggest life insurance company, has put the finishing touches to its newly-established UK investment business by appointing the Earl of Limerick as chairman of AMP Asset Management.

AMP Asset Management, which has £13bn of funds under management, was set up last November following AMP's 1989 acquisitions of both Pearl Assurance and London Life. AMP has combined Pearl's investment management business with that of London Life's, investing in its own international investments, as well. The new London-based operation is headed by Ray Greenshields who came over from Australia last year.

Although AMP Asset Management is only managing the funds of its own companies at present, Greenshields says that it will start offering its invest-

ment skills to outsiders next year. It has recently hired John Whalley from Norwich Union to look after its £1.5bn UK property portfolio and a new marketing director is being recruited. Greenshields said that the new group, which is heavily retail orientated, plans to expand into the wholesale market.

In an effort to give the new group its own independent identity, Lord Limerick, a former deputy chairman of Kleinwort Benson, has been recruited to a board which includes Tom Hutchinson, a former ICI executive, and John Sadler, a former finance director of the John Lewis Partnership.

Lord Limerick, 62, who retired from the Kleinwort Benson Group in May 1990, is chairman of Pirelli UK and a non-executive director of De La Rue.

## TSB Scotland's new boss

TSB Bank Scotland, one of the more successful parts of the TSB Group, has found its new chief executive from within its own ranks. It is bringing back to Scotland Alastair Dempster, a 51-year-old Scot who is currently chief executive of TSB Bank Channel Islands.

The job became vacant when Charles Love, a long-serving TSB man, left to become chief executive of the Clydesdale Bank, the Glasgow-based institution which belongs to National Australia Bank.

Dempster joined TSB from Royal Bank of Scotland in 1986. He was TSB's director of com-

mercial banking and international until 1991 when he moved to the Channel Islands.

Whereas Love latterly combined running TSB Bank Scotland with being head of branch banking, which is run from Birmingham, Dempster will concentrate purely on Scotland.

TSB Bank Scotland is the fourth largest bank north of the border, after Royal Bank of Scotland, Bank of Scotland and Clydesdale.

In the year to October 31 1991 its profits grew by 26 per cent (to £77m).

## Insurance moves



Chris Wright becomes UK general manager at COLONIAL MUTUAL. He succeeds Dave Morris who is transferred back to Australia.

Vaughan Jenkins has been appointed head of product development at PRUDENTIAL Life & Pensions; he moves from National Home Loans. James Turner has been appointed sales development director of Prudential's Home Service division. He joins from Fidelity International Management Holdings.

Kevin Beards, previously group financial controller for County NatWest, has been appointed director of finance for NATIONAL WESTMINSTER LIFE ASSURANCE.

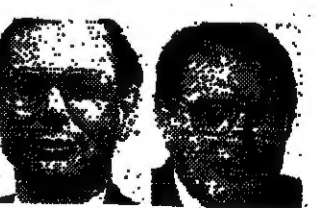
Mark Diggins, David Jackson and John Phillips have been appointed directors of LLOYD THOMPSON Ltd.

Roger Legge becomes md of CANTERBURY LIFE ASSURANCE on the retirement of John Rood. Graham Austin is administration director.

David Hubbard, 56, is the new chairman of London & Manchester, the Exeter-based life assurance and financial services group.

An accountant, Hubbard is currently chairman of the engineering group, Powell Duffryn, but does have directorships with other financial services companies. Already a non-executive director, he takes over from John Thomson who is retiring, aged 64, after a long career with L & M.

## Accountancy



Alan Plastow (above left) has been elected president of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES. He is National Practice Director for the UK and Business Advisory Practice of Arthur Andersen. Deputy president is Michael Chamberlain (above right), who is a senior partner with KPMG Peat Marwick in Leicester.

Martin Brown, chairman of Darenth Vending Services, is elected chairman of THE AUTOMATIC VENDING ASSOCIATION. Stuart Burchell is appointed European advisor to the ELECTRICAL CONTRACTORS' ASSOCIATION. Harriet Dawes has been appointed deputy chairman of the OCCUPATIONAL PENSIONS BOARD.



Prokofiev's  
October

At the Festival Hall on Saturday, Neeme Järvi conducted the Philharmonia in a typically adventurous programme (sponsored by AFO). The middle came Mozart's clarinet concerto, with large, impassioned chorales by Arvo Pärt and Prokofiev jostling it from either side.

The Mozart soloist was the superb Richard Stoltzman: faultless line, and subtle as ever, but more buttoned-up than his normal. Stoltzman seemed to be aiming to elevate it above its amiable station. Less delicacy would have been more fun.

Not the least interesting thing about Pärt's and Prokofiev's monster cantatas was that they proved to be, respectively, so much worse and so much better than one might have expected. The "dissident" Estonian composer has described his 1968 *Credo* - banned after its first performance - as "the turning-point of my entire creative output". In it he foregoes his earlier, unpopular flirtation with 12-note composing in favour of stern white-note tonality and Russian Orthodox piety, the neo-medieval, crypto-minimalist style that has made him a cult figure now.

Yet his *Credo* is just a piece of raw music-theatre, sincere though its motives may have been. It begins and ends with the choir, the central episode, however, consists of increasingly dissonant music which culminates in an ultra-loud improvised cacophony, 90.

Prokofiev's 1937 *October Cantata* should have been much worse, like most of those Soviet works by composers who were made officers that they couldn't refuse. Not only did it have the approved popular extravaganzas - an extra military band, a percussion section swollen by machine-gun imitations and a shrew for the "Revolution" set piece, and a team of six accordions - but most of the words were taken straight from speeches by Lenin and Stalin.

At the close of this first British performance it was bizarre, though poignant, to hear the Philharmonia Chorus declare (in hopeless Russian) that "the blood of our people shed" was "strengthening faith in our powers and mobilising us to a new struggle to win new victories for communism". Yet much of the music Prokofiev devised was so raw and abrasive enough that no premiere transpired. Only in 1964, when Prokofiev - and Stalin - had been dead for 18 years, was *October* at last performed. By then the Stalin settings (including the finale!) had become unacceptable and were only omitted.

As Järvi demonstrated, *October* is an unbridled abomination, but also a parade of honest Prokofievian tropes. Broad lyrical lines, often angular and underpinned by a hard, relentless pulse/pulsed churning, that were never the stuff to give the troops for the around propaganda heights, a prosaic kind of fervour in dogged evenness.

*October* illuminates Prokofiev's transition from eager European cosmopolitan back to prudently Sovietised Russian, more vividly than anything else he composed at that crucial time. We are in debt yet again to Järvi's intrepid foraging.

David Murray

## The RA's cupboard is full of surprises

Architecture/Colin Amery

Reviewing the Royal Academy's annual Summer Exhibition is one of the benchmarks of the year. At a time when the rate of new architectural commissions for architects has slowed down alarmingly because of the recession, the RA exhibition provides a good opportunity to consider the state of the art. The Academy this year has described the Summer Exhibition as being about complexity. It is certainly not one of those shows that eliminates contradictions in order to produce a rational and clear statement about the visual arts.

Architecture and architects now play a much more important part in the Academy's activities and the placing of the architecture room in Gallery VI means that it is right on the main axis from the Central Hall. The rich mixture of models and drawings makes this room look like an intriguing cupboard full of bursting with potential surprises. It seemed less predictable than last year and highly catholic in its selection.

What are the acknowledged "masters" showing this year? James Stirling exhibits his competition entry for the Kyoto Centre in Japan, and shows once again his particular drawing skill. Stirling remains an architect completely outside the current architectural stylistic debate, pursuing his sculptural approach to architecture that sees each new commission as a work of modern art.

Sir Richard Rogers has strayed beyond the architecture room and you will have to look in Gallery One to see his geometric study of the Court of Human Rights that he is building in Strasbourg. This is a major commission for a British architect and, as a rather simple exercise in basic geometry, it looks as though it may be a building with a tough presence. Rogers continues the European theme by showing his Potsdamer/Lauffer Platz in Berlin. This seems to be a somewhat schizophrenic scheme: half wants to follow the formal street plan of the city and half wants to impose giant and unfriendly buildings upon the hapless inhabitants; because of the democratic nature of the German planning system, it seems unlikely that one architect will be allowed to impose his own vision upon such a large slice of the new city. In his unsuccessful competition entry for the new Island Revenue headquarters in Nottingham, Rogers' elegant glass tower certainly showed considerable panache.

The third member of the trio of Academic "masters", Sir Norman Foster, remains, for me, the most disciplined and elegant of them all. He shows this year his winning design for the new airport - the Chek Lap Kok Airport in Hong Kong. The great relief model shows how clearly Foster grasps the complexities of modern air transport and refines the problems they cause down to a solution of distinction and

style. We know from the completed terminal at Stansted that he can produce a public space of great light and beauty. The impressive thing about the Hong Kong airport is that it is the corner stone of some ten major infrastructure projects for the Crown Colony. British Government please copy at home... Can there be something wrong when this trio of such prominent architects are all exhibiting as their major work projects that are being built abroad?

British architects do, however, exhibit some highly distinctive British characteristics in the exhibition. There is nothing wrong with an affection for history and it is always fascinating to examine some of the drawings that accompany conservation activity. Proposals for the insertion of an art gallery inside the shell of that neglected masterpiece, Alexander "Greek" Thompson's Calverton Road Church in Glasgow, by Gillian McInnes may prompt more action to save that splendid building. It is interesting to compare this scheme with the plans exhibited by David Chipperfield for the major alterations to that strangely Islamic looking First Church of Christ Scientist in London's Sloane Terrace. Chipperfield's solution has a clarity and boldness that should be commended. The detailed study for the replacement of railings at Gibbs's great church of St. Mary-le-Strand in London by Donald Insall reflects the care and craftsmanship that is still active in this country.

There are a few exhibits that

really belong as much in the art galleries as in the architecture room. Surely Ben Johnson's two paintings of European interiors, the great vista of part of Château Margaux, would have raised the standard in the main painting gallery. Gallery III? Michael Sandie's study for an architectural monument also has a place to elevate the sculpture selection.

There is an underlying theme in the RA show that affects the artists as well as the architects, and that is the increasingly visible concern with landscape. The wonderful panoramic landscape painting by Michael Andrews and Richard Long's Two Stones represent the two poles of landscape art. In the architecture room, the finely detailed drawings of Sir Geoffrey Jellicoe for a classical garden, an Egyptian garden and an English Wiltshire garden show the lasting influence of this old master of the land. Landscape is a whole area that the British understand and are once again beginning to reinterpret as a new art form. I detected some of this thinking in two works very strongly: in Richard Reid's "Greenview, an Urban Village" traditional landscape and settlement patterns are reinterpreted; second in Edward Cullinan's design for the National Trust Visitors' Centre at Fountains Abbey in Yorkshire, the interweaving of the architecture, the landscape and the sitting promises to be a remarkable contribution to this encouraging marriage of architecture and nature.



Ben Johnson's view of part of Château Margaux

Opera/Andrew Porter  
Mario and the Magician

János Vajda's and the late Stephen Oliver's versions of *Mario and the Magician* (both 1988) were one-act operas; the first was given in a double-bill with *Dido*, the other with Offenbach's *Bo-ta-clan*. Harry Somers's *Mario and the Magician*, which had its premiere in Toronto last week, is in three acts and lasts three hours. The Canadian Opera Company maintains a steady output of new Canadian operas, but *Mario* was its first "mainstage" premiere in 18 years - preceded by Charles Wilson's *Heloise and Abelard* in 1973, and Somers's own *Louis Riel* in 1967. It was a success: warmly acclaimed by the public, brilliantly performed by the company.

Canadian Opera, with Brian Dickie as general manager and Richard Bradshaw as music director, is flourishing. Thirty-five of the 86 singers in *Mario*, most of them young, came from the company, and were there space enough all would be named and praised, for there was a vivacity and precision in the performance that held eye and ear. Among the prominent were Theodore Beery (Mann, renamed Stefan), Marcia Swanson (his wife), André Clouthier (the chief heckler), Heather Thompson, Cornelia Ophoff, Benoit Bontet (Mario), and the treble Patrick Torvald.

But wherever the eye fell, it fell upon performers alert in response and reaction; and the orchestra of 28 (woodwind and brass quartets, saxophone, harp, piano, percussion, and strings), conducted by Bradshaw, played with a like animation. Robert Carlen, the producer, combined dynamic stage pictures, ingeniously and economically devised, with attentive inspiration of each individual character.

The work itself? Shadowed, for me, by Britten's *Death in Venice*, it still under the impact of Covent Garden's recent production, and Philip Langridge's Aschenbach. In Mann's *Mario und der Zauberer*, the Aschenbach/Mann of *Der Tod in Venedig* is developed and split into two separate characters - the German narrator, striving to keep Apollonian detachment, and the Magician, shamelessly flaunting his Dionysian powers and at last bringing the boy into his arms and onto his lips. *Der Zauberer* - the hypnotic manipulator of words to bring people to his way of thinking - was Mann's family nickname.

But there are also what Mann called "minor political highlights and topical allusions tucked away" in the successor tale - the grotesque but potent Cipolla as a Mussolini hypnotising decent Italians into indecent behaviour. But I should prefer to see its significance in the realm of ethics rather than politics," Mann said.

In Somers's opera the minor political allusions were not tucked away but dominant: a portrait of Il Duce hung on the back wall, replaced at the close by one of Der Führer; *Gloria*, the now-banned Fascist anthem, was the first-act finale. (It is a flimsily catchy tune; during the interval people could be heard happily humming it.)

Carlen, on a stage bare to a blackened back wall, and with almost all his characters black-clad (even on the beach), displayed not a smiling, seductive Italy menaced but one already blighted, blackened, and belatedly blackshirts, jackboots *squadristi* were prominent. The fabulous, enduringly opposite qualities of the

novella were diminished to an historical episode - an effect emphasised by the framing of the tale within a 1919 Munich lecture on the menace of totalitarianism. Acts 2 and 3, played without an interval, were Cipolla's show.

Rod Anderson, the librettist, left nothing out (as Vajda and Oliver did), conscientiously underlined and expanded what was there, and added more of his own. This was a protracted music-theatre account of Mann's novella. But one that was gripping, for Somers is an able, efficient, and experienced composer. His manner varied from unmodulated Stravinskian schisms (complex only on the page and for the performers, with its ever-changing metres) to Britten-type - but not Britten-great - lyricism. There was free-range harmony, often with parallel fourths beneath figuration. The score was not boring.

The opera was done not in Toronto's 3900-seat O'Keefe barn but in the company's other house, the 1500-seat Elgin, where operas can tell. (Its bright, intimate acoustics allowed some of Somers's exuberant brass writing to draw the words.) Cipolla's audience, until he summoned them to the stage, was seated in and sang from open books rather like those in the Edinburgh King's. As the Magician, the American tenor David Rampe gave a terrific performance. It is a role that calls for a Jon Vickers. Rampe has a heavy, clumsy, powerful voice - a potent character-tenor without beauty but on an heroic scale - and a presence and utterance that from his first, insistent entrance until the melodramatic finale nearly two hours later, held spellbound both his figured and the real audience.



Scene from 'The False Servant' at the Gate Theatre, with Gary Whitaker (centre)

Theatre/Andrew St George  
The False Servant

Dr Johnson knew that people reveal confidences in order to show that they had been trusted in the first place. In 1724 his contemporary, Pierre Marivaux (1688-1783), wrote a satire based on this fact of human nature and called it *La Fausse Suivante* (*The False Servant*). He made it intellectually puzzling and morally complex, but kept it light. The new production at the Gate Theatre, Notting Hill - a British premiere - answers Marivaux with a delightfully-paced evening of rapid-fire dialogue and shifts of plot.

The action centres on a Chevalier who has disguised himself as a man in order to probe the protean deceptions of Lelio, whom she thinks she loves. Lelio, in turn, ready for gain, has betrothed a rich Countess and is yoked to her by bonds of forsworn rather than love. Lelio, believing the Chevalier is a man, enjoys him to woo the Countess into breaking her betrothal and paying the forfeit. Meanwhile Trivelin, the Chevalier's duplicitous servant and Arlequin, the lovelorn clown of the house

reveal the Chevalier's true identity, one through vanity and the other through stupidity. The Chevalier disrobes turns out to be a prospect that Lelio has coveted from afar. Nobody marries.

The result is a serious comedy that feels like Haydn's *The Joke* in that one is never quite sure it has ended, and sounds like the best of Alfred de Musset, in that one never wants it to. Deceit and disguise dominate the action, which itself appeals to a set of constantly changing unseen rules, always governed by the final injunction that the rules can change any minute. The insights emerge from the meeting of the unshockable with the underestable. The pattern of tests, feints, parries is always motivated by a saving of face and a saving of money. Negotiations and love songs are often mistaken for one and the same.

The sharp translation from Jonathan Guy Martin (who directs) and Mary Ann Vargas keeps the ethos of the original, giving it a modern bite without resort to

modern infelicity. All the characters are obsessed with form and forms of language. This can be very funny indeed: "Sir," says the Countess, "sensitive to" is going too far. You could have said "aware of". The interchange between characters at full stretch also finds a moral level: "Do you repent the wrong? or your failure to succeed?"

The acting keeps up with the action. Crispin Redman plays Lelio as a miming cadaver; his limber interchanges with William Hope's Trivelin and Christabelle Dilks' Chevalier (not yet his nimble equal) form the centre of the action. Susannah Morley plays a leaden-footed Countess. Robust music, heavy intrusions from a party of wedding guests, and a simple plan set complete the salon effect. One pantomime: when a character says "time's ticking away", he should not twitch at his wrist. It was only 1724.

The Gate Theatre (071 239 0706) until 4

INTERNATIONAL  
ARTS  
GUIDE

## BARCELONA

Gran Teatre del Lliure 20.00 Gerd Albrecht conducts Harry Kupfer's Hamburg production of *Tannhäuser*, with Günther Neumann in title role, also Wed and Fri. Tomorrow: song recital by Edita Gruberova (412 1468). *Palau de la Musica* 21.00 Charles Dutoit conducts Montreal Symphony Orchestra in works by Honegger and Ravel (268 1000).

## BERLIN

*Schauspielhaus* 20.00 En Shao conducts Berlin Symphony Orchestra in Messiaen's *L'Ascension*, Beethoven's Fourth Piano Concerto (Philippe Entremont) and Strauss' Also sprach Zarathustra. Sat, Sun and next Mon: Natalia Gutman plays Schnittke's First Cello Concerto (East Berlin 2030 2158). *Philharmonie* 20.00 Kurt Sanderling conducts Berlin

Philharmonic Orchestra in Saint-Saëns' Second Piano Concerto (Yefim Bronfman) and Tchaikovsky's Fourth Symphony. Fri and Sat: Mariss Jansons conducts Shostakovich's Seventh Symphony. Sun: Bach's B minor Mass (West Berlin 2548 8232). *Deutsches Oper* 19.30 Peter Schaufuss' production of *Giselle*. Tomorrow and Thurs: Don Giovanni. Wed: Il trovatore. Fri and Sat: *Messiah*. Sat: song recital by Edita Gruberova (West Berlin 3410 249).

*Staatsoper unter den Linden* 17.30 Tristan und Isolde. Wed and Sat: Paul Dessau's opera *Die Verurteilung des Lukullus* (East Berlin 2004 782).

Other events include Pavarotti at the Deutschlandhalle on Fri (West Berlin 8022 424) and a Lieberlieder by Bernd Weikl at the Komische Oper on Sun (East Berlin 2292 555). **THEATRE** Ute Lemper stars in *The Blue Angel*, directed by Peter Zadek, daily except tomorrow at Theater des Westens (West Berlin 3190 3193). Helmut Lohner is Archie Rice in a guest production of John Osborne's *The Entertainer* by Thalia Theater Hamburg, tonight and tomorrow at Deutsches Theater (East Berlin 2871 225).

## FLORENCE

*Maggio Musicale* Teatro della Pergola 20.30 Katia and Mariella Labèque. Fri: first night of Jonathan Miller's production of *Le nozze di Figaro*. Thurs and Sat in Teatro

Comunale: *La forza del destino* (277 9236).

## LONDON

Covent Garden 20.00 Christoph von Dohnányi conducts first night of Ian Judge's new production of *Der fliegende Holländer*, with James Morris and Julia Varady. Runs till July 1, next performance on Thurs. All this week's performances are Midland Bank Proms, with no seats in the stalls. Samson et Dalila (on Sat with Domingo) will be relayed live on Covent Garden Piazza (071-240 1066).

Coliseum 19.00 Monteverdi's *Ulysses*, with Anthony Rolfe Johnson, also Fri. Tomorrow and Thurs: *Faust*. Wed and Sat: *Madam Butterfly* (071-836 3161). *Royal Festival Hall* 19.30 Lorin Maazel conducts Pittsburgh Symphony Orchestra in symphonies by Mozart and Mahler. Tomorrow: Nikolai Demidenko plays Rakhmaninov.

Queen Elizabeth Hall 19.45 René Jacobs conducts Orchestra of the Age of Enlightenment and Choir in Bach cantatas. Thurs and Sat: Opera Factory in *Coronation of Poppea* (071-928 8800). Barbican 19.45 Yuri Temirkanov conducts RPO in works by Sibelius, Schumann and Dvořák, with Eliso Virsaladze piano soloist (also Fri with Salvatore

Accardo). Tomorrow: Sumi Jo and Raul Gimenez sing arias and duets. Wed: an evening with Maureen McGovern. Sat: John Williams. Sun: Nigel Kennedy (071-638 8891).

## MADRID

Alfredo Kraus sings in Donizetti's *La Favorita* tonight at Teatro Lirico La Zarzuela, also June 12, 16, 20 (429 8225). Teresa Berganza takes part in tonight's recital at the Capilla de San Andrés de los Flamencos (578 1092). Marcelino Lopez Dominguez gives a piano recital tomorrow at Auditorio Nacional de Música, followed on Sat by a performance of Mahler's Third Symphony by the Spanish National Orchestra and Chorus, conducted by Aldo Ceccato (337 0100).

## MILAN

Teatro alla Scala 20.00 Lady Macbeth of Mtsensk, also Wed and Thurs. Mara Zampieri and Kristine Ciesinski alternate in title role. Tomorrow: Lucia di Lammermoor. Sun: recital by Cheryl Studer (7200 3744).

## NEW YORK

*DANCE* American Ballet Theatre's triple bill at the Metropolitan Opera House tonight features Agnes de Mille's *The Other*, Mats Ek's *Grass* and Ulysses Dove's *Serious Pleasures*. Tues till Sat: Ludwig Minkus' ballet *Don Quixote*. AET season runs till

June 20 (362 6000). New York City Ballet repertory runs daily except Mon till June 28 in the NY State Theater. Mikhail Baryshnikov will perform in Balanchine's Duo Concertant on Sat evening this week (also June 16 and 19), and in a new work by Mark Morris on June 16, 24 and 27 (870 5570).

## PARIS

*DANCE* Cullberg Ballet presents two choreographies by Mats Ek, Tues till Sat at Théâtre de la Ville (4274 2277). Ballet de l'Opéra de Paris has choreographies by Lander, Petit and Neumeier at Palais Garnier on Wed and Fri (4017 3535). **CONCERTS** Annie Fischer is scheduled to give a piano recital at Salle Pleyel on Wed (4561 0630). Ishiro Yoshimura Ensemble plays Kabuki music on Thurs at Théâtre de la Ville (4274 2277). Marek Janowski conducts works by Beethoven and Bruckner on Fri at Opéra Bastille (4230 2308).

## OPERA

Tonight at the Châtelet, Daniel Barenboim conducts Patrice Chéreau's new production of *Wozzeck*, repeated on Wed and Sat (4028 2840). Arnold Oltman conducts *Le nozze di Figaro* at Opéra Bastille tomorrow, Thurs and Sat, with a cast including Margaret Price and Tom Krause (4001 1616). Il barbiere di Siviglia, opens at the Palais Garnier on Thurs and runs till July 5 (4017 3535). Armin Jordan conducts a concert performance of Don

Giovanni at Salle Pleyel on Fri (4561 0630). A month-long Rossini festival opens at Opéra Comique on Sun (4286 8883).

## VIENNA

*MUSIC* Theater an der Wien 19.30 Harry Kupfer's Komische Oper production of *Carmen*. Repeated on Wed and Sun (586 1676). *Musikverein* 19.30 Song recital by Josef Protschka. Tomorrow and Wed: Ashkenazy conducts Berlin Radio Symphony Orchestra. Wed in Brahms Saal: Kathleen Battle. Fri: André Previn chamber music evening. Sat afternoon and Sun morning: Previn conducts Vienna Philharmonic (505 8190).

## THEATRE

A Vienna Festival production of Lorca's *Blood Wedding* by Roma Theater Pralipe can be seen daily till Thurs at Remise. Wed till Sun at Ronacher: new production of Calderon de la Barca's two-part drama *The Daughter of the Air*. Thurs till Sun at Messelplatz: Brussels Needcompany production of Shakespeare's *Antony and Cleopatra* (586 1676).

## ZURICH

*Opernhaus* 18.00 Lohengrin. Thurs: John Cranko's production of *Romeo and Juliet*. Fri: Rigolotto. Sat: Die Zauberflöte. Sun: new production of *Capriccio* (282 0809). Thurs and Fri in Tonhalle: Pinchas Zukerman (201 1580). Sat and Sun: Anne Sophie Mutter and Yuri Bashmet (261 1600).

## European Cable and Satellite Business TV

(all times CET)

## MONDAY TO FRIDAY

CNN 0600-0900 (Mon) 2130-2200 World Business Today - a joint FT/CNN production with Gary Parry and Colin Chapman

Super Channel 0850-0900 (Mon) FT East Europe Report - weekly indepth analysis from FTTV

2300-2330 (Tues) Media Europe - what's new in European media business

2130-2200 (Wed) FT Business Weekly - global business report with James Davitt

0850-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0850-0900 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0850-0900 (Fri) FT Business Weekly

SUNDAY

CNN 1000-1100, 1800-1900 World Business This Week

Super Channel 1800-1900 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Business Weekly



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday June 8 1992

## Public policy and the banks

FOR THOSE who were worried at the prospect of further shrinkage in the already thin ranks of the British clearing banks, the withdrawal of Lloyds from the battle for Midland will be a cause for rejoicing. Yet the crude numbers remain an exceptionally poor indicator of the public policy fallout in this tightly argued battle.

In terms of the public interest, the respective merits of Lloyds and Hongkong and Shanghai Banking Corporation as owners of Midland always depended heavily on how the problems of the British banking system were defined. If the problem was a lack of competition, a victory for Lloyds was likely to be a mixed blessing, and not necessarily because of the impact on hard-hit small businesses. For it could be argued that banks simply do not behave competitively in this sector in a recession, *tout court*, and that a reduction in clearing bank numbers might not have affected the issue much one way or another. But the Monopolies Commission would probably have raised concerns about other areas of the two banks' businesses.

On the other hand, the more pressing problem is surplus capacity, the Lloyds' proposals for pruning branches and employees provided a more efficient solution than anything the Hongkong Bank could offer. The building societies are banks in all but name and competition in retail banking is fierce. In wholesale banking, the barriers to entry have been substantially dismantled, to the delight of the large contingent of foreign bankers in London.

### Huge profits

Hongkong Bank raises an altogether different set of issues. With its strong balance sheet and huge profits in Asia, it will undoubtedly lend muscle to a British clearer that has been forced to curb its ambitions because of a conspicuous shortage of profits. While the need to look after sensitivities in Beijing may militate against big injections of capital into Midland, everything nonetheless points in the direction of greater competition, not less, assuming the takeover is completed. The addition of external capital to British banking would also have the beneficial effect of reducing any financial constraint on economic recovery.

## Waiting for Denmark

THERE WAS no need to panic when the Danes rejected the Maastricht agreement on European union last Tuesday. So far, the British government has not done so. There was an initial wobble over whether or not to postpone debate on the bill enacting the treaty, but since then the prime minister has quite rightly played for time. His government will respond pragmatically to events as they unfold. Meanwhile, it will follow the plan agreed by the foreign ministers in Oslo, which is to proceed as if the Danes, having voiced their dissatisfaction, can be relied on to come round later.

Any other strategy would be immediately destructive. As leader of the Conservative party, Mr Major must take notice of the growing strength of the anti-federalists, while staying true to the delicate balance he worked so hard to establish during the negotiations. As head of government, he must be sensitive to the switch in national sentiment away from support for the Maastricht accord, without being seen to shandon his commitment to both the European Union and Britain's place "at the heart of it". As president of the EC from July 1, he must consider the interests of a community of 12, and the possible future of a club with perhaps 20 or more members. Yet there is always danger in a minefield, even when you proceed with extreme caution, and especially when you move ahead in a straight line. The bill to ratify the Maastricht deal will have to be withheld from further parliamentary consideration until the whips can be certain they will get it through. The Labour party is aware that a government with a majority of only 21 can be embarrassed, particularly on an issue on which the ruling party is divided.

### Another upset

The Irish electorate, thought to be in favour of a "yes" vote, may cause another upset their referendum in 10 days' time. If they accept the deal they may temporarily neutralise the effect of the Danish rejection, but that would not be the end of it. A popular vote called for by President Mitterrand follows later in the year. The polls suggest that the French electorate will not reject the deal, but in its present mood its response to

Yet increased competition is not an unequivocal boon in banking. Over the past decade, deregulation has done more to destabilise banking systems than to generate beneficial increases in efficiency. Bringing external capital to an already fragile banking market could thus make it even more unstable. Looked at from another perspective, Hongkong Bank's earlier expansionary moves, especially into the US, have not been well managed. Nothing in the past record points to increased efficiency at Midland coming from a powerful new ownership discipline.

### Difficult issues

These issues of competition and excess capacity are exceptionally difficult ones. A notable disadvantage of Lloyds' departure from the fray is that they are less likely to be aired at length in public. Yet they need to be. For the huge losses that have been incurred in banking across the world over the past decade call for both radical analysis and novel policy proposals.

It has been fashionable for some time to draw a distinction in banking between so-called niche players and those banks that offer a full range of services. Yet it could be argued that the full-service bank, of which Hongkong-Midland will be an example, is really no more than a collection of loosely-knit businesses whose shape owes more to historical circumstance than any overwhelming synergy or customer need. Were it not for the central bankers' continuing desire to rule out takeovers by non-banks, the aspiring full-service banks would long since have been recognised for what they are: conglomerates. The so-called full range of services would have been unceremoniously unbundled - not least at Midland and Hongkong and Shanghai.

In the absence of a more open market in corporate control, these giants lumber on, their behaviour dictated as much by the quest for size as profit. In the meantime, the casualties - mainly in the US and Scandinavia in the present economic cycle - make bigger and bigger demands on the public finances. It is not a sustainable situation. And it is bizarre that it has yet to find its way on to the policy agenda.

a long summer "anti" campaign cannot be taken for granted.

At the same time, the pressure for a British referendum is growing. The anti-federalists see it as a glorious opportunity to smash the Maastricht deal. The Labour party has not succumbed to the temptation to make mischief, but the possibility is always there. There is a decent argument in favour of a British consultation, namely that since all the parties contesting the general election in April were in favour of the public has not had an opportunity to vote on the proposed treaty. Against this must be set the fact that no fringe anti-EC election candidates have succeeded in making an impact. Yet the weekend polls suggest there is strong public support for a chance for the British people to have a direct voice in the proceedings.

### Theoretical merits

The theoretical merits of the case are, however, outweighed by the practical damage that a government espousal of a referendum would do. It could be easily misinterpreted at home as a chance to vote "against the common market". In the rest of the community, it would almost certainly be seen as a reversion to the traditional, ever-negative, insular opposition to all things European that has kept Britain on the sidelines for most of the past 40 years. It would weaken the authority of Britain's EC presidency when there is much work to do, not least on enlargement and the community budget.

What was agreed at Maastricht was imperfect, but then any close-by-negotiated agreement between 12 states is likely to be. It does, however, represent a workable way forward for European union, in a direction that should give greater comfort to those who wish to preserve the strength of national governments than to the proponents of a super-state. The EC does not need to become a superstate to achieve the cohesion needed to compete economically with Japan and the US and to reinforce its position as the pillar of political stability in a continent of shifting forces. But to achieve these ends, the Community needs workable co-operative mechanisms of the kind the 12 sought at Maastricht. The excitable politics of referendums do not alter that.

Continental Europe has been experiencing a hot spring of labour unrest. Workers in Germany, the Netherlands, Spain, France and Italy have been taking industrial action over the past few weeks from varying positions of strength and weakness. If there has been any common factor linking the disputes it has been a reaction to governments' or employers' trying to squeeze inflationary expectations as European monetary discipline bites.

Government and employers in the UK have been trying to do the same. Yet absent from the strike list are British workers, once famed for their militancy, and still among the most highly unionised in Europe. This is no fluke; in 1991 the number of days lost through strikes in the UK was the lowest since records began 100 years ago.

The absence of strikes says something about how UK industrial relations have changed, although it is not necessarily a sign of the terminal weakness of organised labour. In Scandinavia, where unions are strong, strikes are rare. In countries like the US and France, where unions overall are weak, they are common in certain sectors.

Indeed, the reforms introduced by Britain's Conservative government in the 1980s, curbing the use of the strike weapon and making unions more accountable to their members, not only improved industrial relations but also, arguably, strengthened the support for political trade unionism.

Contrary to much of the union rhetoric of the time there was no "attacks" on trade unionism in the 1980s in the sense - well understood by American trade unionists - of widespread deregulation of unions and refusal by employers to continue collective bargaining.

Yet, after the failure of the Labour party to win the general election, could the 1990s be the decade in which the unions start to lose that critical mass which still makes them a force to be reckoned with in British industrial life?

At the very least, they will face another five years of unfriendly government, falling membership as jobs continue to shift from manufacturing to thinly unionised services, and employers able to set the bargaining agenda.

Some union leaders claim to detect a more conciliatory spirit in the new Tory government - under Prime Minister Gillian Shephard at the Employment Department and interventionist Mr Michael Heseltine at Industry - but they may be confusing style with substance.

The leaders of the Trade Union Congress meet Mrs Shephard tomorrow and will have a chance to find out. She has inherited an employment white paper more openly opposed to collective bargaining and traditional trade unionism, and more enthusiastic about re-establishing a direct relationship between employer and employee, than any of the white papers from the Thatcher years.

She has also inherited legislative plans that could radically speed up the decline in union membership. According to Professor Paul Willman of the London Business School, the government plan to end the system by which employers deduct union dues from employee pay packets could cut union membership by up to 15 per cent, when it is introduced next year, so making worse the financial crisis many unions face.

Furthermore, the government's plans to decentralise large parts of the public services and introduce

Union membership is falling and the labour movement may be losing its 'critical mass', writes David Goodhart

## Solidarity meets social change

private sector management practices and local pay bargaining could undermine the heartland of trade unionism. According to the 1991 British Social Attitudes survey, 69 per cent of public sector workers are in a union, compared with 27 per cent in the private sector.

The trend in the private sector is one of inescapable decline. Professor David Metcalf of the London School of Economics says: "By the end of the decade, union membership will be below 20 per cent because of the growth in services at the expense of manufacturing."

Even in manufacturing industry, union density - the proportion of union members in the total workforce - is down to about 40 per cent thanks to union failure to recruit in growth sectors like electronics.

Yet the bleakness of the outlook for the unions should not be exaggerated. There is no evidence that UK industrial relations is following the US pattern, where unionisation has fallen from nearly 40 per cent of employees in the 1940s to about 15 per cent today.

Even in UK service industries, supposedly a no-go area for unionism, there are exceptions to the rule. Take the high street of a typical town in south-east England: Midland Bank, Barclays Bank, the post office, the railway station, WH Smith, and J Sainsbury are organisations that recognise unions and bargain with them centrally.

The unions have lost 3.5m members since 1979, but they still have just fewer than 10m members, including non-TUC affiliated unions. That is a respectable 88 per cent of all employees, excluding the self-employed.

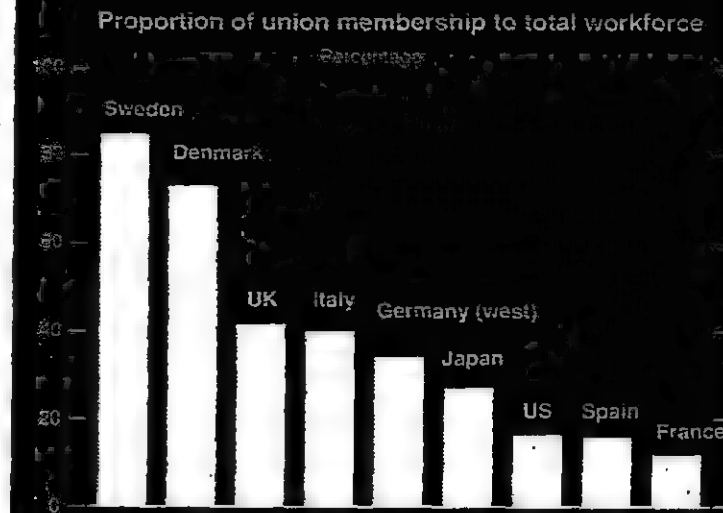
Collective bargaining still covers more than half of all UK employees and has an influence far beyond its formal boundaries with many non-union employers shadowing union agreements. Decentralisation of bargaining in the private sector, and the winding up of national agreements, has often played to union strength at plant level.

Deregulation is slowly picking up but has been relatively rare over the past decade apart from a few spectacular cases like Mr Rupert Murdoch's shedding of the print unions at his Wapping plant and a trickle of less prominent ones involving professional and managerial staff.

One reason deregulation has not gathered pace is the flexibility of the unions - represented nationally by figures such as Mr John Edmonds leader of the GMB general union and Mr Bill Jordan leader of the AEU craft union.

Such unions have accepted much of the new "human resources management" personnel agenda with its emphasis on labour as a resource, not just a cost, which needs to be

### Unions march out of step



trained, developed and communicated with - often by-passing union channels.

And so far has been the opportunity to acquire new members that unions have competed to offer single union, no-strike deals, with complete labour force flexibility on greenfield sites. Many established sites have started to win similar changes, for example, the recent Japanese-style working practices deal at Rover cars.

This new flexibility, which the unions have been forced to accept, has helped to wipe out the historic productivity gap between union and non-union companies and thus removed an important incentive to

de-unionise.

Despite relative union weakness, and high unemployment, union negotiators have comfortably protected their employed members' pockets since 1979. When comparing similar jobs, union membership still benefits employees. The union mark-up has fallen slightly in the past few years, but is still a 6 per cent improvement on the pay of comparable workers not covered by collective bargaining.

Pay rises are increasingly exchanged for productivity gains but, nevertheless, unit labour cost increases over the past few years have generally been markedly ahead of the UK's main competitors

and average earnings increases - currently 7.75 per cent on an annualised basis - have remained at least two percentage points ahead of inflation.

This continuing pay problem prompted the National Economic Development Council to speculate recently that the UK has the worst of both worlds in industrial relations. Unlike the US, the UK has had sufficient collective bargaining to push wages up but has not been centralised enough to follow Scandinavia and Germany in co-ordinating pay in line with what the economy can afford.

But following the US path may not help to keep wages down, as collective bargaining is no longer the only, or even the main, culprit in high pay deals. Between 1979 and 1990, the real earnings of manual workers, mainly covered by collective bargaining, rose only 11 per cent, compared with a 33 per cent rise for non-manual workers, the vast bulk of whom are not covered by collective bargaining.

So there is unlikely to be strong political or employer pressure for a US-style solution, but the unions still face a slow dwindling of their influence. Will they be able to halt that trend?

They will only by making better use of their meagre resources. Many unions still do not know what a departmental budget is and many union leaders are too preoccupied with politics to manage their organisations efficiently. Breaking the links with the Labour party might help. So, too, could a further concentration of functions at the TUC. Labour's defeat makes more likely a historic merger between the two great general unions, the GMB and the TGWU, to add to the other mega-unions. Union, the 1.4m strong mega-union planned for the public sector, should make it easier for the highly centralised public sector unions to deal with the challenge of de-centralisation by allowing them to fund bargaining expertise at local level.

But in the longer run, as collective bargaining over pay withers, union survival will depend on finding a role which complements the growing importance of the law at work. As the government consultation service, last year reported another record work-load for industrial tribunals.

One pointer to the future could be the attempts by the National Communications Union, the main union in British Telecom, to expand outside its dwindling base into the fast growing but mainly non-union communications sector.

The NCU is unlikely to win traditional pay bargaining rights at Mercury, BT's non-union rival, or in the small cable television companies where it is recruiting. But it hopes to build up a substantial membership on the basis of legal support in disciplinary and redundancy cases, health and safety expertise, and the union discount services, such as cheap loans, insurance and travel.

In smaller companies, unions like the NCU hope to play a quasi-personal role advising employers as well as employees on employment law. In larger companies, the unions might also find a role dealing with the many grievances that arise when collective bargaining is abolished and replaced with individual performance measurement and individualised pay packets.

Advisory organisations providing services to individual employees may not be a form of trade unionism that the movement's founding fathers would recognise, but it is the best hope for British trade unionism in the 21st century.

## EC sports shoe quota treads on a few toes

A footwear dispute is forcing Brussels to tackle curbs on imports from non-Community countries, says Andrew Hill

The chill wind of global competition is beginning to blow through the European market in espadrilles and gliders.

National trade experts and European Commission officials have seen an awful lot of shoes over the past few weeks. They range from smart ladies' court shoes, imported into the UK for just £2, and selling very nicely thank you at £3.99 the pair, to top-of-the-range "pump" training shoes, which are snapped up for more than £54.90.

All these shoes are made in the People's Republic of China. The difference between them is that, following agreement by trade officials last Thursday, EC imports of waterproof footwear and beach-shoes should be completely unrestricted from January 1 1993, while court shoes and trainers are likely to be subject to a Community-wide quota.

The agreement has implications beyond the price and style of footwear in a single European market. If the decision is confirmed at a meeting of EC member states, to be held within a few weeks, it could represent an important test case for reform of the chaotic system of national quotas between EC members and external trading partners.

The sensitivities of reform are manifest in the shoes saga. While a number of parents would doubtless welcome some Community-wide restriction on their offspring's purchase of expensive training shoes, the quota proposal has trodden on the toes of several companies, Nike, Reebok, LA Gear and others have all employed legal counsel to fight their case in Brussels.

Their lawyers and lobbyists argue that the political point of imposing

a Community quota - to protect the EC footwear industry and the 500,000 or so jobs dependent on it - is not relevant in the case of trainers. The so-called "high-tech" shoes which spearhead the lucrative market are not made in the EC. A quota will needlessly increase costs, and possibly prices.

But Brussels officials are more concerned to tackle the fundamental trade question: with the advent of the single market, what should be done about residual national quotas applied over decades to imports of everything from bicycles to umbrellas made in so-called "state trading countries" - China, North Korea, Vietnam?

These countries are outside the General Agreement on Tariffs and Trade (GATT); as a result, the EC can freely impose trade restrictions and duties.

The problem is that individual national restrictions do not work. For example, Britain - the only country this week to oppose a Community-wide quota - has a tough national limit on Chinese shoe imports, but the Irish Republic has no limit. As a result, Commission officials say there has been a 380 per cent increase in Chinese shoes imported into Ireland in the first quarter of this year. Trainers are crossing the Irish Sea in huge numbers.

In other areas of trade, the national quotas are a standing joke. "We get people calling us up saying: 'We can't export into the UK because the British quota is used up - which other countries are free?'" says one Commission official.

When internal EC frontier controls are abolished at the end of this year, national limits will be even

more difficult to enforce, so the Commission has to decide how to rationalise the network of restrictions. It has two options: to "communitise" - to set a single Community quota, enforceable at external EC frontiers - or to liberalise.

Reform of the system of restrictions likely to be a painfully slow process. This is mainly because the history of commercial links with state trading countries is not really about trade at all, but about politics. Central and east European nations used to be classified as state trading countries, and movement to harmonise national restrictions was imperceptibly slow. That was the case until one Friday in 1993, when member states suddenly decided that Hungary was emerging from behind the Iron Curtain, and a Brussels official had to prepare a regulation abolishing all EC trade curbs affecting it by Monday.

In the case of China, it will take some time to find the same political will. But in the meantime the Commission is trying to chip away at the national quotas. For the trainer manufacturers, however, the fight is not over: national experts must meet again to discuss member states' technical objections to the measure, including its effect on the sports shoe market.

But Commission officials believe the fuss kicked up by the sports shoe companies is less important than the battle Brussels appears to have won with the member states. If agreement on a harmonised quota can be turned into a formal decision, the way could finally be opened to further simplification of the byzantine structure of individual barriers to trade with non-EC countries before the end of the year.



Cartier, 175/176 New Bond Street, London W1,  
Tel: 071-493 6962.  
188 Sloane Street, London SW1, Tel: 071-235 9023.  
The Fine Jewellery Room  
and The International Room of Luxury at Harrods,  
Tel: 071-730 1234.  
Harvey Nichols, Tel: 071-235 2629.

Also from Watches of Switzerland, Mappin & Webb,  
selected branches of Goldsmiths,  
Walker & Hall, Leslie Davis, Ernest Jones, and  
leading jewellers throughout  
the country. For information on your nearest  
stockist please call 071-408 5775.





## Czechs and Slovaks reconsider the federation

Following weekend elections, the two peoples may be heading for a 'velvet divorce' write Anthony Robinson and Ariane Genillard

The fate of Czechoslovakia now rests with two powerful politicians after weekend elections revealed the strength of left-wing separatist feelings in Slovakia and strong support for western-style economic reforms in the Czech lands.

Voters in the economically more advanced and populous Czech republic, with its capital in Prague, strongly supported the Civic Democratic party (ODS) led by Mr Vaclav Klaus, the federal finance minister. But Slovaks in the economically fragile eastern part of the federal state voted overwhelmingly for Mr Vladimír Mečiar, leader of the Movement for a Democratic Slovakia. Mr Mečiar has promised that Slovakia will no longer be dictated to by Prague but, until now has stopped short of demanding outright independence.

The two men, who will dominate their respective republican parliaments, will have to make difficult compromises at a federal level which will test their political skills to the utmost if the Czech and Slovak federation is to survive.

In the Czech republic, the results are a personal triumph for Mr Klaus, and a blow to the pollsters who predicted the ODS would only pick up about 30 per cent of the vote. It got more than 50 per cent.

The polls failed to register how Mr Klaus managed to win the pocket-book loyalty of millions of voters by announcing the first stage of mass privatisation before the election.

More than 8.5m voters went into these elections as the owners of voucher books entitled them to shares in thousands of Czech and Slovak companies now being privatised. Mr Klaus has made sure that millions of Czechs and Slovaks have a stake in the successful outcome of economic reform.

At a first glance, the election results indicate that this has mainly affected voters in the Czech lands. Many Slovak voters responded instead to Mr Mečiar's argument that an arrogant Prague had imposed

macro-economic policies which failed to reflect the different needs of Slovakia's weaker and more vulnerable economy, still heavily based on arms and heavy industry.

But finding common ground on constitutional issues will be as difficult as bridging the wide economic differences. Over the last two years, Czech and Slovak politicians have tried and failed to write a new constitution to replace that inherited from the communist regime which was swept away by the November 1989 'velvet revolution'.

The question is whether Mr Klaus and Mr Mečiar, having emerged as clear leaders in their respective republics, have the political and personal skills to negotiate a new basis for co-existence.

At present, legislation in the tri-cameral federal assembly has to be approved both by the mixed Chamber of Peoples and the Chamber of Nations, where Czechs and Slovaks have equal weight and vote separately. This allows a handful of Slovaks to veto constitutional or legislative changes.

The first indication of a willingness to compromise will come early next month with a presidential election by the new parliament. The Civic Forum coalition, which backed the incumbent, Mr Vaclav Havel, split 15 months ago and is now dead. Mr Havel, a Czech, will need Mr Mečiar's Slovak votes to be re-elected.

Mr Klaus, whose ODS was the only party to fight the election in both republics, apart from the neo-fascist republican party of Mr Miroslav Sládek, rejects any idea of a looser confederation and insists that a future reformed federation must rest on a common currency, a single central bank, close co-operation in fiscal and monetary policy and commitment to market reforms. This would leave the federal

government with crucial economic powers against the wishes of Mr Mečiar, who wants economic decisions to be made in Bratislava, the Slovak capital. Mr Mečiar calls for greater state intervention, financed by budget deficits if necessary and a Slovak central bank.

This is anathema to Mr Klaus, who campaigned on the principle that the federation is only worth preserving if it is based on 'sound principles'. If not, he says, it would be better to opt for a 'velvet divorce'.

One of the few areas of common ground is the belief that dissolution of the federal republic would not lead to the ethnic violence which has characterised the partition of former Yugoslavia.

The elections, in which over 80 per cent of the electorate voted, were impeccably peaceful. Together the Czechs and Slovaks ran the most successful democracy in central Europe between the wars. But Slovaks have long resented Prague's dominant role which has fuelled the desire for Slovak national sovereignty.

If these resentments lead to political divorce, however, it would inevitably distract attention from economic reform. It would also cost the Slovak budget an estimated \$500m in annual subsidies from the Czech lands and lead to a projected 100 per cent devaluation of the new Slovak currency. After several recent devaluations, the federal currency, the koruna, is stable at about 28-30 to the US dollar.

By contrast, the Czech lands, released from the burden of subsidising Slovakia, and benefiting from proximity to the German and other EC markets, would probably become even more attractive to foreigners. Investment bankers in Prague say mainly US and EC companies have projects worth up to \$20m in the pipeline. Several

dozen projects are only awaiting Czech government approval before they can start. The attractiveness of investment has been reinforced by the strong vote for rapid privatisation and market reforms. Slovakia has received some recent foreign investment, like Volkswagen's new assembly plant in Bratislava and a joint venture with Whirlpool, the US domestic appliance group. But over 80 per cent of foreign investment so far has been in the Czech lands. Secession and a lesser commitment to economic reform would further reduce Slovakia's attractiveness to foreign investors who are especially needed to help restructure the economy.

Apart from the strong economic arguments for remaining attached to what is likely to be an increasingly powerful Czech economic 'locomotive', Slovakia has a 600,000 strong ethnic Hungarian minority, an unresolved conflict with Hungary over the controversial Gabčíkovo dam project on the Danube and a disputed border with a resurgent independent Ukraine. This is a potentially dangerous part of the world for a small country on its own.

But Czechs too would be diminished if Slovakia peeled away, leaving them alone to face the unresolved issue of compensation for the 3m ethnic Germans expelled after the last war. Heavy German investment has already stirred the first worries about the long-term risks to the survival of Czech culture as a small country of only 10m people.

These are powerful, common sense reasons for Czechs and Slovaks to re-negotiate the basis of their continuing co-existence.

Before the election, president Havel told voters they had the power 'to make Czechoslovakia a focus of European stability or a place of permanent conflict... and permanent political and constitutional crisis'. The voters have spoken. It is now up to their elected leaders to decide which path the country chooses.

## OBSERVER

### Extra time for Dunkel

Long-suffering Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, looks like breaking yet another of the deadlines he has set in recent years - that for his own retirement.

Ambassador Lars Anell, Swedish head of the Gatt committee responsible for finding a successor, is being told by other Gatt ambassadors that the uncertain plight of the Uruguay Round of world trade talks makes it impossible to pinpoint the right person.

In December, when Dunkel released his 'Final Act' - a draft Uruguay Round agreement meant to break deadlock in negotiations that began in Punta del Este six years ago - he announced he'd retire at the end of 1992. That was the date by which the trade agreement was due to be implemented.

He also set a deadline of Easter for negotiators to agree in principle to the final act's terms, hoping his scheduled resignation would force the pace.

Alas, with Easter well past, US and EC trade negotiators are still wrangling over dismantling farm protection. Prospects for an agreement by the year end are dimming by the day. Ambassador Anell, supposed to start formal discussions with Gatt signatories on the search for a successor at the beginning of July, is being informally told he is wasting his time.

Two factors are inhibiting the search. First, there are fears that if Dunkel retires before his final act is endorsed, the draft will die with his departure. 'There are a number of officials who see him as the guarantor of the draft,' said a senior member

of a western Gatt mission. Second, without successful conclusion of the Uruguay Round, it is not possible to tell candidates what kind of institution they'd be heading.

Current betting is that Dunkel will be asked to stay on for a further six months. But, this time at least, nobody's setting any firm deadlines.

### Wigging

It seems that new Lord Chief Justice Lord Taylor has not yet convinced everyone that judges are user-friendly and in tune with the times. A piece of graffiti at Knightsbridge Crown Court reads: 'The Ice Age wiped out the dinosaurs, but how did the judges survive?'

Of course, carbon-dating of the inscription may show it was written during the tenure of Taylor's predecessor, Lord Lane.

### Unwinding

Another tell-tale sign that all is not well at Wasserstein Perella, the high-flying international investment banking boutique?

Alan Stephenson, co-head of the merger and acquisitions advisory group, has decided to hand in his notice and return to his old law firm, Cravath, Swaine & Moore.

He insists his decision to jump ship says nothing about the future of Wasserstein Perella, founded by former Wall Street takeover superstars Bruce Wasserstein and Joe Perella. 'I had never lost my interest in law,' explains Stephenson who is expected to re-recruit old clients such as Time and CBS.

Even so, the departure of a professional of his calibre suggests that some of the other big names lured to Wasserstein



'I've trained him to pay lip-service to the environment'

a couple of years ago may be rethinking their careers.

At 60, the London operation's chairman Lord Haslam is probably too old to bother about moving. But one wonders how much longer an ambitious type like Sir Peter Levene, 50-year-old former head of defence procurement at Britain's defence ministry, is going to hang around.

After all, if Levene was working flat out on Wasserstein business, he'd surely not be collecting odd jobs such as the chairmanship of the Docklands Light Railway - let alone have the spare time to advise the prime minister on efficiency.

### Closed tender

Wouldn't it be nice if Premier John Major's commitment to open government shed some light on Whitehall's secretive system for deciding public spending?

Opening up the process to public scrutiny might arguably help the government to reach better decisions. But officials have rejected requests for publication of details of the

spending bids different departments are now submitting as part of the build-up to the Treasury's Autumn Statement.

By custom, the papers are never published, though no one can rule out 'leaks' of selected contents by individual departments anxious to press their case for more money.

While the public would clearly be better informed about the issues if different departments' bids were open to examination, the official view remains that government efficiency is best served if the arguments go on behind closed doors. Another piece of civil service stone-walling that needs knocking down.

### Explained

It won't be all plain sailing at acturaries R. Watson's forthcoming seminar. The first session is called 'A plain man's guide to the US benefit scene', and the second 'A plain man's guide to the Canadian benefit scene'.

But the next is 'Expatriates: benefits and related tax issues'. The reason for the style-change isn't hard to find. While men will present the first two, the third will be run by Ruth Ryals of George Beram & Co in Boston. 'A plain woman's guide...' would be less than politically correct.

### Foot note

As the Inter-City train makes yet another unscheduled stop, an irate passenger snarls at the conductor: 'This service is appalling. I have urgent appointments in town. Can't you go faster?'

'I certainly could, sir,' the British Rail official replies, 'if I didn't have to stay on the train.'

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5939. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Maastricht ratification would herald legal maze for business

From Mrs Celia Hampton.

Sir, Politicians might like to consider the plight of the European businessman - an intended beneficiary of the single market of 1993 - if the 11 decide to ratify the Maastricht amendments without Denmark.

In 1993, the businessman will have to obey the amended EC Treaty in 10 countries, including its new legally-binding objectives. Some of these, such as the protection of consumers and the environment, are highly relevant to everyday business and will be given practical meaning by the European Court.

In the UK, he will be able to ignore some of the employment-related rules agreed by

the 10, but he will have to comply with the new objectives. In Denmark, he will have to comply with Community law as it is at present, but he can ignore the new objectives. In Sweden, Switzerland or the other EFTA countries, he will also have to obey existing Community law, without the new objectives, under the EEA Agreement, but reliance on Community law will be more precarious because there will be no common court to enforce it. In Czechoslovakia, Hungary and Poland he will have to obey the parts of Community law which are embodied in the three Association Agreements.

These extra layers of Community law will be in addition to the burden of complying

with local national laws. One could hardly blame the businessman for staying at home: he will need a battery of lawyers to advise him every time he strays abroad. For whose benefit were the Community and its single market conceived?

For Community law, the Maastricht compromise allowing the UK to secede from part of the Treaty (the 'social protocol') contained the seeds of destruction. Adoption of the Maastricht amendments by only some of the EC will secure germination.

Celia Hampton, executive editor, FT Business Law Brief, 40 Anson Road, London N7 9AB

### No security compromise

From Dr B Wharmby.

Sir, I would like to correct an impression given by Mr Hanson (Letters, May 29) that the licence condition derogation granted to National Grid for the connection of the Greystones Power Station may compromise system security.

The derogation will allow output from Greystones to be sold into the electricity pool before associated grid system reinforcements are complete. The station will be able to generate at full output under normal grid system conditions, but with a severely restricted output when transmission outages occur. Arrangements will be made by National Grid for automatic reduction of station output when required. Thus Greystones itself will be connected at a reduced level of security. The remainder of the system, including connections to other power stations and regional electricity companies, will operate to the standards placed on National Grid by its transmission licence.

Security of supply to customers will be unchanged by this arrangement, but customers will stand to benefit from the earlier introduction of an efficient power station on to the grid system.

B Wharmby, technical director, Office of Electricity Regulation, Hagley House, Hagley Road, Edgbaston, Birmingham B16 8QG

### Training in UK needs to be formalised

From W J Goldfinch.

Sir, Sir John Cassels admirably explains (Personal View, June 2) why so few 16- to 18-year-olds benefit from education and training on a par with Britain's competitors. Our 'system' works against the grain of human nature. Sir John's solution works with it.

As he says, all 16- to 18-year-olds' further education has to be state-funded and the cost of trainees' pay or, preferably,

allowances, has to be balanced by the value of the trainee's output. In the interests of the trainee, there should be a formal training contract, culminating in a nationally recognised qualification.

Employers need to be involved to ensure the quality of craft-technician level vocational programmes remains ahead of our competitors. There is a danger it will not, as more young people remain in full-time education, unless a market system as described by Sir John is created.

The Engineering Employers' Federation has been campaigning for such changes. Early

Youth Training Scheme policy was establishing the right attitudes, funding, training contracts and trainee allowances. Regrettably, the essential national qualification and quality control system was not then in place. A critical first move would be for the government to reinstate those early policies and use training credits as the funding mechanisms.

W J Goldfinch, managing director, AVO International, (chartered, EEF education, recruitment & training policy committee), Archcliffe Road, Dover, Kent CT17 9EN

### Institute plans to act on Cadbury corporate governance report

From Mr W D Plaitstone.

Sir, A number of the Cadbury report's recommendations on corporate governance require action by the accounting profession. These are now being addressed urgently by my institute.

Internal controls: The Institute made several submissions to the Cadbury Committee, one of which recommended that listed companies should report publicly on the state of their internal controls. The Institute, with the 100 Group of Finance Directors, and the Institute of Chartered Accountants of Scot-

land, has set up a working group to examine the practicalities of reporting on internal control from the business viewpoint, and to take forward Cadbury's recommendations.

Going concern: A similar working group will look at guidance for company directors on the Cadbury recommendation that they should state in their report that the business is a going concern. This work will be complementary to that relevant to the proposals of the Auditing Practices Board on this subject.

Rotation of audit partners:

The Institute also plans to carry out work on the Cadbury Committee's proposal that the profession should draw up appropriate guidelines for periodic changes of audit partners.

Careful consideration will be given to the implications of this, with a view to the possible production of ethical guidance by the three institutes of chartered accountants.

Prelims and intimations: The auditing committee of the Institute recently issued a discussion paper on the need for preliminary announcements of listed companies' annual

results to have audit approval. It is also considering the role of the auditor in relation to interim statements and will take account of the Cadbury Committee's recommendations on the subject.

Research: The Institute has earmarked funds for any research proposals which would carry forward the Cadbury Committee's work.

W D Plaitstone, president, Institute of Chartered Accountants, Chartered Accountants Hall, Moorgate Place, London EC2

Next time,  
we write  
on something  
important.

Whatever  
you're  
writing on,  
make sure you  
write on  
Conqueror.

conqueror



ASIO WIGGINS FINE PAPERS LIMITED BASINGTORE HAMPSHIRE RG21 3EE  
PO BOX 11 GATEWAY HOUSE CONQUEROR IS A REGD TRADEMARK







**intrum justitia**  
Europe's Leading Debt Collection  
and Credit Management Group  
Tel. Marketing Dept. +31 20 671 1115  
**INKASSO FOR EUROPE**

# FINANCIAL TIMES COMPANIES & MARKETS

©THE FINANCIAL TIMES LIMITED 1992

Monday June 8 1992

**FERGUSON ENTERPRISES**  
Number 1 in plumbing supply - U.S.A.  
**WOLSELEY**  
The name behind the name

## INSIDE GPA boosts size of global share offer

GPA, the world's largest lessor of modern commercial aircraft, has increased its global share offer from 80m to 85m shares. There has been no change to the \$10 to \$12.50 indicated range for the issue price. At the \$12.50 price the offer would raise more than \$1bn and value the group at \$3.6bn. **Page 16**

**Banc One to buy Key Centurian**  
Banc One, the fast-growing Ohio-based commercial banking group, is to acquire Key Centurian of West Virginia in a stock deal worth \$536m. The purchase of the 54-branch bank, Banc One's sixth acquisition of the year, will bring its total assets to \$75bn, more than double their level at the start of last year. **Page 17**

**Gift dealers shrug off Maastricht**  
The shock waves sent through Europe by last week's referendum in Denmark on the Maastricht treaty may have only limited impact on the outlook for gifts. By the weekend, many gift practitioners were considering the outlook for the securities with reference to factors other than the treaty's terms for Ecu. **Page 18**

**O&Y creditors split into groups**  
An Ontario court has split Olympia & York's creditors into six committees to negotiate a debt-restructuring plan for the crippled property developer. O&Y had proposed five committees, but Mr Justice Blair ruled that holders of securities fully backed by specific buildings should be segregated from a group of five banks with lesser claims to the properties. **Page 17**

**Rugby buys Ward for £15m**  
Ward Group of the UK, which makes technically advanced components for the building industry but ran out of cash to survive the recession, has been bought by Rugby Group for £15.3m (\$27.8m). Almost 1,000 jobs will be saved in Britain, France and Germany. **Page 18**

**US boost for Wellcome drug**  
US revenues generated by Zovirax, the world's best-selling anti-viral drug marketed by Wellcome, the UK pharmaceutical group, could be far higher than analysts' predictions, according to a leading American virologist. **Page 16**

**Purves confident on Midland bid**  
Mr William Purves, Hongkong and Shanghai Bank's chairman, said yesterday he expected Midland Bank shareholders to follow their board's advice and accept his bank's offer for the British clearer now that Lloyd's Bank had withdrawn from the contest. **Page 16**

**Market Statistics**

FTSE 100 index	28	London share index	25-27
FTSE 100 index	28	FTSE 100 index	21-24
FTSE 100 index	28	FTSE 100 index	21-24
FTSE 100 index	28	FTSE 100 index	21-24
FTSE 100 index	28	FTSE 100 index	21-24

**Companies in this issue**

Banc One	17	Lloyds Bank	16
Bayer	15	Midland Bank	16
Ciba-Geigy	15	Norwest	17
Deutsche Aerospace	17	Olympia & York	17
Dollase	17	Rhône-Poulenc	16
Fokker	17	Rugby Group	16
GPA	16	SEBanken	15
Heron International	18	Standard Bank Inv.	17
Hongkong Bank	16	Vestor Stahl	17
ICI	16	Ward Group	18
Key Centurian	17	Wellcome	16

## SEBanken makes first loss ever

By Robert Taylor in Stockholm

**SKANDINAVISKA** Enskilda Banken (SEBanken), Sweden's largest private commercial bank, has reported an operating loss of around SKr600m (\$103.7m) after bad debt provisions for the first four months of the year, its first deficit ever.

The bank said it had decided to make a preliminary statement about its interim results ahead of its full disclosure tomorrow to counter speculation about the state of its finances.

The loss follows a jump to SKr2.5bn from an estimated SKr1.6bn in bad debt provisions. Actual write-offs in the first four months totalled SKr663m.

The bank reported an operating profit of SKr752m for the first four months of 1991. There remains little prospect of any early revival, but the bank said its capital ratio was still above 10 per cent, which put it well within international requirements. SEBanken's total

risk capital amounted to SKr31.4bn on April 30. The bank estimates that its total provisions could amount to SKr7.5bn for the whole of 1992 after reaching a figure of SKr4.75bn last year.

## Heron to suspend interest payments

By Andrew Jack in London

**HERON INTERNATIONAL**, Mr Gerald Rouson's troubled UK property and finance company which is seeking to reschedule nearly £1.2bn of debts, is to suspend interest payments on a portion of £700m (\$1.27bn) in bank loans from the beginning of July.

The company said yesterday: "We are paying interest now but we have concluded that it would be inappropriate to pay interest after the end of the month in those parts of the group in which cashflow is insufficient."

The action has been taken in consultation with the banks involved in lending to the most illiquid parts of the group. However, Heron declined to say which divisions or which banks would be affected.

Heron did not disclose how much of its £700m bank debt would be covered by the suspension of interest payments. It will not affect £450m in bond market debt, also being rescheduled.

Heron was forced to attempt to reschedule up to £1.15bn of its £1.45bn debt after its estimated net assets collapsed to £115m at the end of March and put it in breach of covenants.

Unaudited accounts for the year to March 31 this year show a pre-tax loss of £124m before exceptional items - of which Heron said about £118m was in interest payments - compared with a re-stated £29m loss the previous year.

More than 80 banks are still digesting a report commissioned by KPMG Peat Marwick, the accountancy firm, circulated on Friday, which included a £1bn valuation of the group's worldwide property portfolio. That contrasted with a valuation in March of £1.5bn in a report from Price Waterhouse using other surveying firms.

Heron said the Peat Marwick report confirmed its own recommendation for a controlled disposal of its investment properties over a number of years.

Heron warned bondholders in April that a "fire sale" of assets would result in a shortfall of at least £200m.

It said yesterday it hoped its re-scheduling would be completed by autumn, ahead of the next payments to the holders of its £450m in Eurobonds.

The five banks on the steering committee dealing with Heron are Barclays, National Westminster, Bank of America, Royal Bank of Canada and Chemical Bank.

## Europe's agrochemical groups face restructuring, writes Paul Abrahams

### Farm reforms may bring a bitter harvest

With annual turnover of more than \$8bn, European agrochemicals are big business. But, since last month's agreement on farm policy reform, the world's largest market for products from fertilisers to fungicides, is also in big trouble.

Market growth was minimal even before the agreement. Return on investment is poor, and the financial risks of research and development high.



Down on the farm: uncertainty for the makers of products from fertilisers to fungicides

Now the reforms, which involve setting aside 15 per cent of agricultural land from production and a 25 per cent reduction in cereal prices, threaten to unleash a fundamental restructuring of the sector.

Ciba-Geigy, the Swiss group and the world's largest agrochemical manufacturer, estimates sales will fall between 5 per cent and 10 per cent within five years. France's largest chemical group, Rhône-Poulenc, expects a drop of 5 per cent, while Imperial Chemical Industries of the UK sees a 15 per cent fall within three years.

The difficulty facing forecasters is that details of the reforms have not been decided. "A lot depends on how the 15 per cent of land is set aside," says Mr Allan Woodburn, director of Allan Woodburn Associates, an agrochemicals market-research company.

"If the set-aside land is rotated, farmers will need to use herbicides on it. If it's set aside for good, the consequences for the industry are more serious," he says.

The position is complicated by expectations that the reforms will lead to a sharp fall in the number of farmers throughout Europe. This, paradoxically, could mitigate the effects on the agrochemicals market.

Mr Walter Ernst, head of Bayer's agrochemicals division, says only 80,000 of Germany's 400,000 farmers will be in business by the year 2002. Rhône-Poulenc says the number of French farmers will halve within a decade.

Mr Alain Godard, director general of agrochemicals at Rhône-Poulenc, says efficient farmers could be tempted to increase yields by using more product on the 85 per cent of the land they are still able to farm.

However, ICI challenges this view. It fears more farmers, hit by falling prices, will be tempted to use non-patented and cheap generic products.

Dr Alan Norris, a director specialising in chemicals mergers and acquisitions at Chase Investment Bank in London, says groups like Schering of Germany and Atochem of France - whose proportion of sales in Europe are, respectively, 85 per cent and 82 per cent - have most to lose from the changes. ICI, in comparison, has a broader base. Its European sales represent only 31 per cent of turnover.

As volumes decline, a further threat to revenues is that prices might fall. Ciba-Geigy, for example, is intent on winning market share in the UK and recognises prices could fall. So far, pricing has been kept disciplined but whether that can continue is open to question.

For the chemicals groups, R&D produces new, patentable products, for which they can charge a premium.

Bayer estimates its agrochemicals division, with annual turn-

over of DM3.5bn (\$1.95bn), spends DM400m a year on R&D, or 12.5 per cent of turnover. Rhône-Poulenc and ICI both spend the equivalent of 8 per cent of turnover.

ICI says it costs between \$80m and \$100m and between 10 and 12 years to put new chemicals through the necessary regulatory hurdles. Additional costs have been added by re-registration of old products to ensure they meet new higher regulations.

ICI estimates it has spent \$100m during the past four years to bring 14 of its 30 products up to new US standards. The EC is introducing similar regulations. The company believes some groups with less commitment will conclude that such expenditure is not justifiable.

A shakeout is inevitable. With 30 significant competitors, there will only be 10 research-based groups left by the end of the decade, warns Mr Ernst at Bayer.

Most restructuring will involve joint ventures, at least for the largest groups, believes Dr Norris at Chase. The multiples required to buy a research-based agrochemicals company are too high for an outright purchase. He argues the savings through merg-

ing would generate significantly higher margins.

Some companies would like to exit, at the right price. The commitment to agrochemicals of groups like Germany's BASF, Shell, the Anglo-Dutch group, and FMC, and Rohm and Haas, of the US, is debatable.

Restructuring has already begun. Schering tried but failed to put together a venture with Sandoz. Two Japanese groups, Sumitomo Chemical and Ishihara, have been buying small research and distribution groups. A few groups are looking at the possibility of building up niches, either geographical or in particular product areas, says Dr Norris.

Mr Godard is optimistic. He says demographic changes mean increased demand for food and that oil-bearing crops could be used as alternatives to fossil-fuels. However, Dr Norris at Chase says the countries with most need for increased food production are those with least money to pay for high-margin agrochemicals.

Even if the industry does have the potential to make sustainable profits, it will first have to be significantly weeded.

World's leading agrochemical companies

Rank	Name	Market share (%)
1	Ciba-Geigy	12.8
2	ICI	9.2
3	Rhône-Poulenc	8.8
4	Bayer	8.8
5	Du Pont	7.4
6	Dow	6.6
7	Monanto	6.3
8	Hoechst	6.0
9	BASF	5.5
10	Schering	4.2

Sources: Wood Mack and Rhône-Poulenc

## Buenos Aires puts out the inflation fires

Even by Latin American standards, Argentina's inflation record over the past 80 years is something special. While world prices rose on average 14 times between 1950 and 1990, in Latin America they went up 1.7m times and in Brazil 1.9m times. In Argentina, prices increased by a multiple of 350bn.

So for most Argentines, the past year has offered something different. Recently, retail prices have been rising between 1 and 2 per cent a month, wholesale price inflation has been running at an annual rate of 5 per cent or less.

This sharp drop is due to two factors: the creation of a surplus in the budget and the tying by law, since April 1, 1991, of the Argentine currency to the US dollar. This convertibility law more or less prevents the central bank from issuing local currency unless backed by inflows of foreign exchange.

Thus the central bank has been converted, nearly, into a currency board such as that in Hong Kong, though an important difference is that the bank can also issue currency against its volatile holdings of Bonex, a shrinking pool of government-issue dollar-denominated bonds.

The Argentine government has, in effect, turned its economy into an economic region of the US. Since Argentina has an annual per capita income of \$18,000 less than the US and is distanced from it by several thousand miles, history and language, it would be not be surprising that such an arrangement can cause strains.

On the face of it, Argentina's economy should be under strain. Retail prices have risen more than 30 per cent since the currency was fixed, against about 4 per cent in the US.

But if this suggests a dramatic loss of competitiveness for Argentine industry, the reality is less dramatic. Most inflation has taken place in the

oligopolistic retail and services sector not subject to foreign competition. This has turned Buenos Aires into one of the world's most expensive cities but has yet to cause huge damage to industry. The government has also cut tariff barriers, which, combined with fixing of the nominal exchange rate, has put downward pressure on input prices.

The risk to competitiveness is that relatively high retail inflation - compounded by forthcoming rises in value added tax rates and a broadening of the tax's scope - could

in price rises. He might not be worried either by rising imports and the shrinking trade surplus. Some imports are of capital goods, raising an abnormally low investment rate which fell below 8 per cent of GDP in 1990; the rest are for now adequately financed by inflows of capital helping to swell reserves.

Although the reserve inflow is swelling the monetary base, this is not necessarily inflationary. Some economists argue that when inflationary expectations drop sharply, peo-

## Economics Notebook

By Stephen Fidler, Latin America Editor

translate into demand for higher wages. This is bound to bring increased pressure for devaluation.

Further pressure for devaluation from Argentina's hitherto protected industry may grow as imports continue to climb. In 1990, Argentina's imports totalled \$4.1bn; in 1991 they nearly doubled to \$8.1bn; this year, they could reach \$11bn.

However, the architect of the convertibility law, the economy minister, Mr Domingo Cavallo, does not have much faith in devaluation. He believes competitive benefits deriving from it are transitory in an inflation-prone economy such as Argentina's where it takes only one or two months for such advantages to be lost

ple are willing to hold cash for longer and the velocity of circulation falls.

In Brazil, it is easy to find sceptics about the Argentine economic miracle. None the less, the gradualist policies of economy minister Mr Marcellio Marques Moreira seem to be making slow headway against inflation, running at about 20 per cent a month. Perhaps he might try a drop of Argentine medicine!

Asked about this possibility last month, Mr Moreira said it would be "unthinkable" to subject the Brazilian economy to the "straitjacket" of a fixed currency.

## Post-election enthusiasm wanes for UK shares

By Terry Byland in London

**THE RAPID** fading of post-election enthusiasm in the UK stock market has been confirmed in a survey of UK fund managers by the Gallup polling organisation on behalf of Smith New Court, the London-based integrated and international securities house.

A balance of 15 per cent of senior fund managers in the survey this month expected to increase their holdings of UK equities, compared with 18 per cent last month, and 49 per cent at the beginning of April when the London market was awaiting the general election.

The survey reinforces the trend towards increased investment in Japanese and European equities at the expense of US stocks.

The balance of those taking a bullish view of the FTSE Index over the coming three months has fallen from 32 per cent in May to only 12 per cent. A Footsie of 2,990 is predicted for June 1993, compared with Friday's close of 2,688.5. The Dow Jones Industrial Average is seen at 3,456 in 12 months, against Friday's 3,388.69.

Those planning to sell US equities have jumped from 25 per cent in May to 37 per cent in June. Prospective buyers of European equities increased their net dominance from 16 per cent to 22 per cent, while prospective buyers of Japanese shares remain in a majority, albeit down from 37 per cent to 29 per cent.

Senior representatives of 100 fund management groups handling funds totalling \$488bn took part in the survey.



## COMPANIES AND FINANCE

## GPA lifts offer to 85m shares

By Maggie Urry

GPA, the world's largest lessor of modern commercial aircraft, has increased the size of its global share offer from 80m to 85m shares. There has been no change to the \$10 to \$12.50 (\$5.45 to \$6.25) indicated range for the issue price. At the \$12.50 price the offer would raise over \$1bn and value the group at \$3.6bn.

The issue could be increased again by up to 12.75m shares under the so-called "green shoe" arrangements, should demand warrant it.

The group, based in the Irish Republic and headed by Mr Tony Ryan, is going public through a four-part offer with tranches in the UK and Ireland, the US, Japan and the rest of the world. The prospectus for the UK and Ireland issue will be published today.

Advisers to the group said that responses to the international presentations to potential investors had been sufficiently encouraging to increase the size of the offer. There had also been a higher level of interest shown by UK and Irish private investors than expected and as a result the prospectus will be advertised in the press. Of the extra 5m shares, 3.5m



Tony Ryan: up to 12.75m further shares could be issued

will be additional new shares, taking the number the company is selling to 85m. If the price is set at the top of the range GPA would receive \$896m, net of expenses, from the sale. Existing shareholders

of 1994. It has options to buy another \$8.1bn by 2000.

The group's banking covenants allow it a maximum debt to equity ratio of 5:1. The ratio is 3:1 before the offer. As well as committed loan facilities, GPA also taps the international bond markets for funds. It is finalising a \$222m deal securitising aircraft leases.

The offer period for the UK and Ireland part of the offer is being extended by one day to June 18. Applicants in this offer can specify a maximum price they are willing to pay or can agree to buy at whatever price is set. UK applicants must apply for a minimum of 200 shares, costing at least £1,050 at the lowest price.

The price will be set on or about June 17, when the decision whether to increase again will be taken. The price will be announced on June 18 at 12.30pm, with conditional dealings expected at 2.30pm.

That price will form the basis of public offers in the US and Japan and private placements in continental Europe, Canada and elsewhere. These offers will close on June 25.

## Wellcome's US boost from Zovirax

By Paul Abrahams in Berlin

US REVENUES generated by Zovirax, the world's best-selling anti-viral drug marketed by Wellcome, the UK pharmaceutical group, could be higher than analysts' predictions, according to a leading American virologist.

Dr Richard Whitley, Professor of Pediatrics and Clinical Virology at the University of Alabama, believes Zovirax will be used by as many as 1m chicken pox patients over the next 12 months and by as many as 5m a year as early as 1996.

Previous estimates of Zovirax sales for this illness have been far lower. In a recent note, SG Warburg, the company's brokers, estimated only 20 per cent of US patients would use the drug by 1994, generating additional revenues of only \$15m.

Zovirax, which is used mainly to treat herpes and related infections, was only licensed in the US for chicken pox early this year.

Between 3.4m and 4m US residents catch the disease annually.

Speaking at a virology conference in Berlin, Dr Whitley said he believed general practitioners would come under intense pressure from Paris to prescribe Zovirax for children infected with chicken pox.

Public awareness of the drug's benefits were well known, he said. If administered within 24 hours of the first signs of chicken pox, the drug can reduce the number of lesions and the severity of the disease.

Dr Whitley added that doctors may well prescribe Zovirax, which cost between \$30 and \$50 for a five day treatment, for fear of potential litigation.

Chicken pox can lead to serious complications in a small minority of cases and the drug may be able to prevent the disease or lessen its severity.

He warned that the drug's high cost and the problems of quick diagnosis would prevent all patients receiving Zovirax.

## Rugby pays £15.3m for Ward after unusual administration

By Ian Hamilton Fazey, Northern Correspondent

WARD GROUP, which makes technically advanced components for the building industry but ran out of cash to survive the recession, has been bought by Rugby Group for £15.3m. Nearly 1,000 jobs will be saved in Britain, France and Germany.

Ward, based in Sherburn, North Yorkshire, went into administration last month, but the sale to Rugby was only made possible because two Coopers & Lybrand partners sent in to run it borrowed £2m to sell it as a going concern.

Accountants say such a move on the part of the receiver is unusual, but not without precedent.

Rugby, also in the construction components business, has got Ward cheaply, since the book value of net assets pur-

chased is £27.1m. Ward has been trading on a cash with order basis while a buyer was found.

The purchase will strengthen Rugby's position in the metal products market and give it Ward's Atlas building system, which supplies complete metal buildings packages through a network of approved contractors.

Ward also makes structural steel frames, pre-engineered components and steel cladding systems, as well as owning Abbeal, a glass processor and insulated glazing manufacturer with modern plant in Leeds and Peterborough.

Ward made £12.6m on sales of £175m in 1989, when interest charges were £266,000. In 1990, turnover dropped to just under £173m but profits tumbled to £8.7m as interest charges rose nearly eightfold to more than £2m. Last year's sales crashed

to only £99m and Ward just managed to break even before interest.

However, the soundness of Ward's advanced products in construction markets convinced Mr Michael Moore and Mr David Waterhouse of Coopers' Leeds office that they should risk borrowing £2m to keep it going. The money will be repaid by the deal and Coopers, which would have shared any losses, will get a fee.

Ward's creditors agreed to freeze their positions. Mr Moore said all would now be paid. "Although it was risk, it was an innovative approach which worked well," Mr Moore added.

The sale includes marketing companies for Ward building systems in Germany and France, as well as Multicom in Colmar, France, a steelwork manufacturer employing 151 people.

## Norweb expands retailing with £5m buy

By John Thornhill

NORWEB, the Manchester-based electricity company, is significantly expanding its retailing activities through the acquisition of 20 Atlantis electrical supermarkets from Thorn EMI for £5m in cash.

The acquisition of the Atlantis stores will double Norweb's retail floor space to 230,000 sq

ft and give it access to retail parks in the north of England and the Midlands.

Earlier this year, Thorn EMI decided to withdraw from its loss-making electrical retailing activities, which had lost £50m over the previous three years. Thorn said it would convert most of its 450-store Rumbelows chain to rental outlets and would consider selling its 45-store Atlantis chain.

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Hongkong and Shanghai Banking Corp (HSBC)	Midland Bank	Banking	£3.9bn	Improved bid in KO?
Blue Circle (UK)	Celebris (France)	Health Products	£208.1m	European consolidation continues
KYU (Germany)	Thomas Cook (UK)	Travel agency	£200m	Non-core Midland sale
Corning (US)	J S Pathology (UK)	Clinical pathology	£23.2m	Agreed cash bid
Dunhill (UK)	Karl Lagerfeld (France)	Fashion design	£16m	Dunhill targets luxury fashion
Avonmore Foods (Ireland)	Herzland Fleisch (Germany)	Food production	£5.5m	European platform for future
Kieragistics (FR/US/UK)	Kel Audio	Hi-Fi	n/a	Buy from receiver
Rolls-Royce (UK)/Westinghouse (US)	Strategic alliance	Power generation	n/a	Creates No 2 in field
Fanuc (Japan)	GM Fanuc Robotics (US/Japan)	Robotic systems	n/a	GM sells its half

Source: FT Mergers &amp; Acquisitions International

## Hongkong expects holders to accept bid

By Simon Holberton in Hong Kong

MR WILLIAM Purves, Hongkong and Shanghai Bank's chairman, said yesterday that he expected Midland Bank shareholders to follow their board's strong advice and accept his bank's offer for the British clearer now that Lloyds Bank had withdrawn from the contest.

Hongkong Bank convenes an extraordinary general meeting of its shareholders tomorrow to approve its £3.9bn offer for Midland. At that meeting shareholders would also be asked to withdraw the restriction limiting any one shareholder from owning more than 1 per cent of the bank.

Mr Purves said that the bid "seems to be moving in the right direction". On Friday, just hours after the department of trade and industry allowed

Lloyds to buy up to 10 per cent of Midland, it had decided to withdraw from the fray.

"I don't anticipate anyone appearing on the horizon in the next 18 days," Mr Purves said in an interview. "But until the offer is closed and declared unconditional one can not be certain."

He said he did not expect that any of Midland's large shareholders would hold out and not accept the bid.

"If we do not have 50 per cent on the 25th [of June] then the offer is dead," he said. "In that event I would think the Midland share price would fall back by 100p to 150p. So I think it's unlikely that people would want to risk that."

He said that once the offer went unconditional it would be left open for a period to allow for a mopping up exercise. He said the bank wanted to settle the transaction in July.



THE BATTLE FOR MIDLAND

"Once it is unconditional we can sit down with Midland. There is a lot of work to be done if we are to get the synergies we promise." The bank predicts synergies will result in extra profits of \$800m over the first four years of the merger.

Looking back on the contest for Midland, Mr Purves admitted that there had been the "odd distraction" but that it had gone according to plan.

"We planned to go down this route and we did," he said. "The only thing we got slightly

wrong was not realising that institutional shareholders of Midland would not be interested in holding our loan stock. They did not believe it would trade at par."

"Because of this we revised the offer so there was a cash alternative. We also revised it because of the planned sale of Thomas Cook. That will add about £100m to Midland's profit this year."

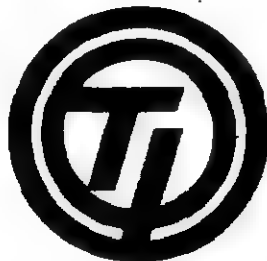
It was Mr Purves and Sir Kit McMahon, former Midland chairman, who conceived of the marriage between the two banks in the wings of the 1987 International Monetary Fund conference in Washington. But yesterday Mr Purves declined to take personal credit for the success.

"This is not a personal thing. It's a corporate thing. The board has been very supportive and a large team has worked on it."

## DOWTY SHAREHOLDERS

**TI's FINAL\* OFFERS FOR DOWTY CLOSE IN 2 DAYS**

ACCEPTANCES MUST BE RECEIVED BY 1.00PM WEDNESDAY, 10TH JUNE\*



TI GROUP

FOR INFORMATION REGARDING THE PROCEDURE FOR COMPLETING THE FORM OF ACCEPTANCE CALL 071 489 3059 BETWEEN 9.00AM AND 5.30PM

The directors of TI Group plc accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts. This advertisement has been approved by Baring Brothers & Co. Limited, a member of the SFA, for the purposes of Section 67 of the Financial Services Act 1986. The offers referred to in this advertisement are not being made directly or indirectly in the United States. The new TI ordinary shares have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or delivered, directly or indirectly, in the United States.

\*The Offers will close at 1.00pm, on Wednesday, 10th June, 1992 unless the Ordinary Offer has by or on that date become or been declared unconditional as to acceptances. The Offers will not otherwise be extended, nor will they be increased, except that TI reserves the right to revise, increase and/or extend the Offers, the Cash Alternatives or any of them in the event of a competitive situation arising or otherwise with the consent of the Panel. If the Ordinary Offer becomes or is declared unconditional as to acceptances on or before Wednesday, 10th June, 1992, the Offers, but not the Cash Alternatives, will remain open for acceptance until at least Wednesday, 24th June, 1992. The Cash Alternatives will remain open for acceptance until 1.00pm, on Wednesday, 10th June, 1992 and, if the Ordinary Offer is then or is capable of being declared unconditional as to acceptances, will not be extended thereafter.

Notice to the Holders of ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL) Italian Lire 400 Billion Floating Rate Notes Due 1999

Coupon No 6 for the period May 25, 1992 to November 30, 1992 will be payable starting November 30, 1992 at the rate of 11.65%

ITL 299,340,- per note of ITL 5,000,000 Nominal  
ITL 2,993,403,- per note of ITL 50,000,000 Nominal  
June 4, 1992

BANQUE LARIBANK S.A. Luxembourg Agent Bank

Fuji International Finance (Australia) Limited

Tranche A US\$ 60,000,000 Floating/Fixed Rate Guaranteed Bonds 2001

Interest Rate: 4.5025 p.a.  
Interest Period: from 1st June 1992 to 30th September, 1992

Interest payable per US\$ 50,000 Notes: US\$ 582.50

By Fuji bank (Luxembourg) S.A.

Yen 5,000,000,000 8 per cent. Foreign Exchange Linked Depository Receipts Due 1993 (the "Receipts")

Issued by The Law Debenture Trust Corporation p.l.c. evidencing entitlement to payments in respect of deposits with



Further to the Early Redemption Notice dated May 5, 1992, notice is hereby given in accordance with Condition 4(e) of the Receipts that the Redemption Amount has been determined by the Calculation Agent on June 3, 1992, which was the date designated as the Calculation Date by the Receipt Holders.

The amount due to Receipt Holders in respect of Yen 100,000,000 deposit is Yen 87,300,000 for payment on June 22, 1992.

Daiwa Europe Limited

June 5, 1992

US\$125,000,000 First Chicago Corporation

Floating Rate Subordinated Capital Notes Due December 1998 Notice is hereby given that the Rate of Interest has been fixed at 4.25% and that the interest payable on the relevant Interest Payment Date, September 8, 1992, against Coupon No. 23 in respect of US\$100,000,000 nominal of the Notes will be US\$1,066.11.

June 8, 1992 London By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Currency Fax - FREE 2 week trial

Home Credit Analysis Ltd. 75 Abchurch Lane, London EC4N 3DF, UK. Tel: 071-734 7171 Fax: 071-439 4944



Carlsberg A/S International Rights Issue

to Subscribe for

2,938,090 A shares and 2,387,432 B shares of DKK 20 nominal value each at DKK 200 per share

Arranged and lead managed by DEN DANSKE BANK

co-managed by Unibank

Barclays de Zoete Wadd Limited COMMERZBANK Aktiengesellschaft  
J. P. Morgan Securities Limited UBS Phillips & Drew Securities Limited

May, 1992

This notice is important and requires the immediate attention of holders of Bonds. If holders are in any doubt as to the action they should take, they should consult an independent financial adviser authorised under the Financial Services Act 1986 without delay.

Blue Circle Industries PLC (the "Issuer") (Incorporated in England under the Companies Act 1985 to 1986)

£80,000,000

6% Subordinated Convertible Bonds 2002 (the "Bonds")

convertible into ordinary shares in the Issuer ("Ordinary Shares")

Notice of Adjustment to Conversion Price

Notice is hereby given to holders of the Bonds that, following the rights issue by the Issuer of Ordinary Shares on the basis of one new Ordinary Share for each 5 Ordinary Shares and one new Ordinary Share for each 9.625 7% Convertible Cumulative Redeemable Preference Shares of the Issuer announced on June 4, 1992, the Conversion Price of 215 pence per Ordinary Share has, in accordance with the Trust Deed dated May 20, 1987 constituting the Bonds, been adjusted to 207 pence per Ordinary Share with effect from June 5, 1992.

By: The Chase Manhattan Bank, N.A. Principal Paying and Conversion Agent

June 5, 1992



FUTURES & OPTIONS TRADERS

FOR AN EXHIBIT AND COMPETITIVE SERVICE

BERKELEY FUTURES LTD.

15 PARK ROAD, LONDON W1T 6BN OR TEL: C. DE ROEPER ON 071-224 8885











## Sweeping change forces traders to adjust tactics

**John Plender**  
**Banks back to  
the future**

such a policy cost the shipping more than Latin America or Canary Wharf have already cost Lloyds?

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>							
Electrolux	150	1987	5	7.75	100.885	Lehman Bros. Intl.	7.597
Den Danske Bk(a)(j)	150	2000	8		Salomon Bros.		
Banco Rio de la Plata(b)	30	1995	3		93.778	Banque Paris	9.088
Siemens Cap.Corp.(b)(j)	15n	2002	10	8	132.00	Deutsche Bk.Cap.Mkts	4.046
Sveabank(j)(k)	100	2002	10	(f)	99.75	Morgan Stanley Int.	
Australg	100	1987	9	6.25	98.25	Citicorp Inv.Bk.	8.700
Japan Assn.Finance	200	1989	8	5.75	100	Merrill Lynch Intl.	4.497
Isvelmar(o)(j)	125	1985	3	(a)	100	CSFB	
Banco de Credito Nac.(p)(t)	60	1984	2.5	10.5	99.06	Cresc Inv.Bk.	10.940
Walsin Wilva Corp.(q)(s)	55	2002	10	3	100	Jardine Fleming Intl.	3.000
Credit Lyonnais(a)(j)	250	1995	3	(x)	100	Merrill Lynch Intl.	
Unibank A/S(b)(j)	100	2000	8	(v)	100	Merrill Lynch Intl.	
Ceval Alimentos(p)(t)	80	1984	2.5	10.5	97.87	Citicorp Inv.Bk.	11.800
Comercio Commercial L(A)(j)	100	1995	3	(A)	100	Merrill Lynch	
<b>STERLING</b>							
Woolwich B.S.(d)(h)	75	1996	3.5	(d)	92.70	BZW	
Cie.Bancaria(o)(j)	50	1989	4.5	10.5	102.721	Nahves Cap.Mkts.	9.881
Net&L Provincial(z)	100	2011	6.5	10.75	101.908	Samuel Montagu	10.500
<b>ECU</b>							
Mobile Oil Canada	125	1997	5	9	101.475	CSFB	8.694
Investor Ind.Financie(j)(k)	200	2001	9	7.25	100	Morgan Stanley Intl.	7.250
<b>CANADIAN DOLLARS</b>							
City of Quebec(v)(j)	21	1997	6	9	101.80	BIL	8.543
City of Quebec	18	2000	10	9.00	102.00	Wood Gundy	9.301
Toyota Motor Cred.Corp(t)	333	1996	4	8	100.50	Wood Gundy	7.730
<b>FRENCH FRANCS</b>							
Electricite de France(f)	30n	2022	20	8.75	98.95	Paribas Cap.Mkts.	8.890
LKB Baden-Wt.Financ(e)	10n	2003	9	8.75	100.90	BNP Cap. Mkts.	8.980
Volvo Grp.Fin.Eur(f)	10n	1997	5	8.50	101.40	Credit Lyonnais	8.131
<b>BUILDERS</b>							
Bank Algi	200m	1997	5	8.75	100.80	RBS	8.224
USG Corp.	150	1989	2	8.5	99.80	Kaufmann	8.520

Prices for electricity determined by the Commission for the purchase of the electricity generated and sold by the power plants in the State of New Mexico.

Provisional Price for Fuel Prices for Trading on 9/28/20

1/2 hour	Post purchase	Post purchase	Post purchase	Post purchase
0000	18.42	17.16	17.16	17.16
0030	17.16	17.16	17.16	17.16
0100	18.42	17.16	17.16	17.16
0130	18.42	17.31	17.31	17.31
0200	18.42	17.31	17.31	17.31
0230	18.42	16.70	16.70	16.70
0300	18.42	16.70	16.70	16.70
0330	18.42	17.16	17.16	17.16
0400	18.42	17.16	17.16	17.16
0430	18.42	17.16	17.16	17.16
0500	18.42	17.16	17.16	17.16
0530	18.42	17.16	17.16	17.16
0600	18.42	17.16	17.16	17.16
0630	18.42	17.16	17.16	17.16
0700	17.48	17.16	17.16	17.16
0730	17.48	17.16	17.16	17.16
0800	17.48	17.16	17.16	17.16
0830	17.48	17.16	17.16	17.16
0900	17.48	17.16	17.16	17.16
0930	17.48	17.16	17.16	17.16
1000	17.48	17.16	17.16	17.16
1030	22.69	20.61	21.21	21.21
1100	22.69	20.61	21.21	21.21
1130	22.69	20.61	21.21	21.21
1200	22.69	20.61	21.21	21.21
1230	22.69	20.61	21.21	21.21
1300	22.69	20.61	21.21	21.21
1330	22.69	20.61	21.21	21.21
1400	22.69	20.61	21.21	21.21
1430	22.69	20.61	21.21	21.21
1500	22.69	20.61	21.21	21.21
1530	22.69	20.61	21.21	21.21
1600	22.69	20.61	21.21	21.21
1630	22.69	20.61	21.21	21.21
1700	22.69	20.61	21.21	21.21
1730	22.69	20.61	21.21	21.21
1800	22.69	20.61	21.21	21.21
1830	22.69	20.61	21.21	21.21
1900	22.69	20.61	21.21	21.21
1930	22.69	20.61	21.21	21.21
2000	22.69	20.61	21.21	21.21
2030	22.69	20.61	21.21	21.21
2100	22.69	20.61	21.21	21.21
2130	22.69	20.61	21.21	21.21
2200	22.69	20.61	21.21	21.21
2230	22.69	20.61	21.21	21.21
2300	22.69	20.61	21.21	21.21
2330	22.69	20.61	21.21	21.21
2400	22.69	20.61	21.21	21.21

Prices are determined for every half-hour in each five-minute period. Prices are in cents per megawatt-hour, rounded to two decimal places. The Commission may, at its discretion, suspend the operation of this schedule for any period of time when the Commission determines that it is not in the public interest to operate the schedule. The Commission may, at its discretion, suspend the operation of this schedule for any period of time when the Commission determines that it is not in the public interest to operate the schedule.

Prices are determined for every half-hour in each five-minute period. Prices are in cents per megawatt-hour, rounded to two decimal places. The Commission may, at its discretion, suspend the operation of this schedule for any period of time when the Commission determines that it is not in the public interest to operate the schedule.


Prices for electricity determined by the Commission for the purchase of the electricity generated and sold by the power plants in the State of New Mexico.

Provisional Price for Fuel Prices for Trading on 9/28/20

1/2 hour	Post purchase	Post purchase	Post purchase	Post purchase
0000	17.80	17.16	17.16	17.16
0030	17.16	17.16	17.16	17.16
0100	17.80	17.16	17.16	17.16
0130	17.80	17.31	17.31	17.31
0200	17.80	17.31	17.31	17.31
0230	17.48	17.44	17.44	17.44
0300	17.16	17.16	17.16	17.16
0330	17.44	17.16	17.16	17.16
0400	17.44	17.16	17.16	17.16
0430	17.44	17.16	17.16	17.16
0500	17.48	17.16	17.16	17.16
0530	17.48	17.16	17.16	17.16
0600	17.48	17.16	17.16	17.16
0630	17.44	17.16	17.16	17.16
0700	17.48	17.16	17.16	17.16
0730	17.48	17.16	17.16	17.16
0800	17.48	17.16	17.16	17.16
0830	17.48	17.16	17.16	17.16
0900	17.48	17.16	17.16	17.16
0930	17.48	17.16	17.16	17.16
1000	17.48	17.16	17.16	17.16
1030	20.61	20.61	20.61	20.61
1100	20.61	20.61	20.61	20.61
1130	20.61	20.61	20.61	20.61
1200	20.61	20.61	20.61	20.61
1230	20.61	20.61	20.61	20.61
1300	20.61	20.61	20.61	20.61
1330	20.61	20.61	20.61	20.61
1400	20.61	20.61	20.61	20.61
1430	20.61	20.61	20.61	20.61
1500	20.61	20.61	20.61	20.61
1530	20.61	20.61	20.61	20.61
1600	20.61	20.61	20.61	20.61
1630	20.61	20.61	20.61	20.61
1700	20.61	20.61	20.61	20.61
1730	20.61	20.61	20.61	20.61
1800	20.61	20.61	20.61	20.61
1830	20.61	20.61	20.61	20.61
1900	20.61	20.61	20.61	20.61
1930	20.61	20.61	20.61	20.61
2000	20.61	20.61	20.61	20.61
2030	20.61	20.61	20.61	20.61
2100	20.61	20.61	20.61	20.61
2130	20.61	20.61	20.61	20.61
2200	20.61	20.61	20.61	20.61
2230	20.61	20.61	20.61	20.61
2300	20.61	20.61	20.61	20.61
2330	20.61	20.61	20.61	20.61
2400	20.61	20.61	20.61	20.61

Prices are determined for every half-hour in each five-minute period. Prices are in cents per megawatt-hour, rounded to two decimal places. The Commission may, at its discretion, suspend the operation of this schedule for any period of time when the Commission determines that it is not in the public interest to operate the schedule.

Prices are determined for every half-hour in each five-minute period. Prices are in cents per megawatt-hour, rounded to two decimal places. The Commission may, at its discretion, suspend the operation of this schedule for any period of time when the Commission determines that it is not in the public interest to operate the schedule.

**Standard  Chartered**

**Standard Chartered PLC**  
(Incorporated under limited liability in England)


**US\$400,000,000 Undated Primary Capital  
Floating Rate Notes (Series 3)**

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 8th June, 1992 to 8th December, 1992, the Notes will carry interest at the rate of 4.3375 per cent. per annum.

Interest payable on 8th December, 1992 will amount to US\$220.49 per US\$10,000 Note and US\$5,512.24 per US\$250,000 Note.

**Chartered WestLB Limited**  
**Agent Bank**

---

 **DEN DANSKE BANK**  
(originally issued in the name of Provisonbanken A/S)

**U.S. \$60,000,000**  
**Floating Rate Capital Notes 2000**

For the six month period  
8th June, 1992 to 8th December, 1992.

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5 1/4 per cent. per annum, and that the interest payable on the relevant interest payment date, 8th December, 1992, against Coupon No. 14 will be U.S. \$133.44.

**S.G. Warburg & Co. Ltd.**  
**Agent Bank**

**INTERNATIONAL  
BusinessWeek**

**This week's topics:**

- Latin America's Market Revolution
- Ross Perot's Vietnam Business
- Sony vs. Philips In Disc And DAT
- The New Realism About Computers
- Techies vs. The Techno-Cops

**Now available at your newsstand!**

**BusinessWeek International**  
14, av d'Ouchy, CH-1096 Lausanne Tel. 41-21-617-4411  
For subscriptions call UK 44-628-23431 Hong Kong 852-523-2939

**NORWAY**

The FT proposes to publish this survey on **June 26th 1992**. The survey will be included with every copy of the FT on that day and will reach over 1 million readers in some 160 countries world wide. In Europe alone, research shows that 54% of Chief Executives of the largest Companies need the Financial Times.

To reach this important audience with your advertisement, please contact:

Chris Schannings  
in Birmingham  
Tel: 021 454 0922  
Fax: 021 455 0869  
or Kirsty Saunders  
in London  
Tel: 071 873 4823  
Fax: 071 873 3079

*Chris Schannings' Chief Executives in Europe 1990*

**FT SURVEYS**

# Know Your MBOs

**Acquisitions Monthly's Management Buy-Out Conference**  
**Tuesday 29th/Wednesday 30th September 1992**  
**The Marriott Hotel, London W1**

THE UNIVERSITY OF CHICAGO, CHICAGO, ILL.

40% DISCOUNT  
MANAGEMENT TEAM  
DELEGATES MAY  
REMAIN ANONYMOUS

NEGOTIATING

PRICING & RESTRUCTURING BUY-OUTS

PACKET MECHANISMS

VENDOR ATTITUDES TO THE BUY-OUT

THE MARKET FOR

BUY-OUTS IN EUROPE

CORPORATE GOVERNANCE

EXIT ROUTES

FINANCING FINANCE/STRUCTURING DEBT & EQUITY

INVESTING IN THE BUY-OUT CONCEPT

40% OF THE DELEGATES MAY REMAIN ANONYMOUS

### Case Studies:

**The Inveresk buy-out • Restructuring the MFI buy-out  
The Burn Stewart buy-in • The Taunton Cider buy-out**

**Includes speakers from:**

Bank of Scotland; Charterhouse; Coopers & Lybrand Deloitte;  
County NatWest; Deutsche Candover; Intermediate Capital Group;  
Morgan Grenfell Development Capital; National Westminster Bank

To book a place or receive further details, contact:  
Acquisitions Monthly, 11 Gloucester Road, London SW7 4PP  
Telephone: 071-823 8740 Fax: 071-581 4331

**Acquisitions Monthly** is the leading mergers and acquisitions magazine in Europe. For all the latest on European acquisition tactics and techniques, pricing of deals, information on dealmakers, you cannot beat it. For a free sample copy please contact:

Jan Hogwood, Tudor House Publications Ltd  
Lonsdale House, 7/9 Lonsdale Gardens  
Tonbridge Wells, Kent TN11 1NU  
Tel: (0892) 515454 Fax: (0892) 511547

Frances Harvey, Tudor House Publications Ltd  
P.O. Box 48429  
Washington, DC 20002 - 0429, USA  
Tel: (202) 396-1052 Fax: (202) 396-1053

Sponsored by Morgan Grenfell Development Capital

## Acquisitions



[illegible]



[illegible][illegible][illegible][illegible]

\_\_\_\_\_

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48																																																				







## OFFSHORE AND OVERSEAS

**BERMUDA** (ST) REGISTRAR

**CANADA (SEE RECOGNITION)**

**GUERNSEY** POST OFFICE

For Product Line Motors see AIR Catalog

Japan Fund	5	514.36	16.67	17
Japan Smaller Cap.	5	517.10	17.10	18
Japan & Pacific	5	513.50	16.99	17

UK	Light	10.00	10.00	10.00
UK	Dark	12.63	12.63	12.63
US	Light	19.80	19.80	19.80
US	Dark	21.00	21.00	21.00

OCT 1985	100.00	100.00
OCT 1986	100.00	100.00
OCT 1987	100.00	100.00
OCT 1988	100.00	100.00
OCT 1989	100.00	100.00
OCT 1990	100.00	100.00
OCT 1991	100.00	100.00
OCT 1992	100.00	100.00
OCT 1993	100.00	100.00
OCT 1994	100.00	100.00
OCT 1995	100.00	100.00
OCT 1996	100.00	100.00
OCT 1997	100.00	100.00
OCT 1998	100.00	100.00
OCT 1999	100.00	100.00
OCT 2000	100.00	100.00
OCT 2001	100.00	100.00
OCT 2002	100.00	100.00
OCT 2003	100.00	100.00
OCT 2004	100.00	100.00
OCT 2005	100.00	100.00
OCT 2006	100.00	100.00
OCT 2007	100.00	100.00
OCT 2008	100.00	100.00
OCT 2009	100.00	100.00
OCT 2010	100.00	100.00
OCT 2011	100.00	100.00
OCT 2012	100.00	100.00
OCT 2013	100.00	100.00
OCT 2014	100.00	100.00
OCT 2015	100.00	100.00
OCT 2016	100.00	100.00
OCT 2017	100.00	100.00
OCT 2018	100.00	100.00
OCT 2019	100.00	100.00
OCT 2020	100.00	100.00
OCT 2021	100.00	100.00
OCT 2022	100.00	100.00
OCT 2023	100.00	100.00
OCT 2024	100.00	100.00
OCT 2025	100.00	100.00
OCT 2026	100.00	100.00
OCT 2027	100.00	100.00
OCT 2028	100.00	100.00
OCT 2029	100.00	100.00
OCT 2030	100.00	100.00
OCT 2031	100.00	100.00
OCT 2032	100.00	100.00
OCT 2033	100.00	100.00
OCT 2034	100.00	100.00
OCT 2035	100.00	100.00
OCT 2036	100.00	100.00
OCT 2037	100.00	100.00
OCT 2038	100.00	100.00
OCT 2039	100.00	100.00
OCT 2040	100.00	100.00
OCT 2041	100.00	100.00
OCT 2042	100.00	100.00
OCT 2043	100.00	100.00
OCT 2044	100.00	100.00
OCT 2045	100.00	100.00
OCT 2046	100.00	100.00
OCT 2047	100.00	100.00
OCT 2048	100.00	100.00
OCT 2049	100.00	100.00
OCT 2050	100.00	100.00
OCT 2051	100.00	100.00
OCT 2052	100.00	100.00
OCT 2053	100.00	100.00
OCT 2054	100.00	100.00
OCT 2055	100.00	100.00
OCT 2056	100.00	100.00
OCT 2057	100.00	100.00
OCT 2058	100.00	100.00
OCT 2059	100.00	100.00
OCT 2060	100.00	100.00
OCT 2061	100.00	100.00
OCT 2062	100.00	100.00
OCT 2063	100.00	100.00
OCT 2064	100.00	100.00
OCT 2065	100.00	100.00
OCT 2066	100.00	100.00
OCT 2067	100.00	100.00
OCT 2068	100.00	100.00
OCT 2069	100.00	100.00
OCT 2070	100.00	100.00
OCT 2071	100.00	100.00
OCT 2072	100.00	100.00
OCT 2073	100.00	100.00
OCT 2074	100.00	100.00
OCT 2075	100.00	100.00
OCT 2076	100.00	100.00
OCT 2077	100.00	100.00
OCT 2078	100.00	100.00
OCT 2079	100.00	100.00
O		

[illegible]



**FT MANAGED FUNDS SERVICE**

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 43p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

[illegible]







**INVESTMENT TRUSTS - Cont.**  
Wid. Div. Dev.

[illegible]



## 27

**Duration** 45 min

[illegible][illegible][illegible]



**4:00 pm prices June 5**

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page



**NASDAQ NATIONAL MARKET**[illegible]

## Prices June 8

[illegible]

**FINANCIAL TIMES**

---



## MONDAY INTERVIEW

# Advocate of evolving intervention

Dominique Strauss-Kahn, the French industry minister, talks to William Dawkins, Andrew Gowers and Ian Davidson

**M**r Dominique Strauss-Kahn, France's forceful young industry minister, has little time for free-marketisers who lambast the French government for propping up state-owned industries.

"My personal conviction is that we are living in the last part of the ultra-liberal phase which began in California in the mid-1970s," says Mr Strauss-Kahn, 43, who emerged from relative obscurity a year ago to become French industry and foreign trade minister and one of Europe's most articulate advocates of an active industrial policy.

"If the 1980s were dominated by financial questions and financial regulations, the 1990s will be the time for states to intervene in industry in the same way as they do in finance, as regulators - but not just as regulators, as co-ordinators as well," he says.

Whether you agree with Mr Strauss-Kahn or not, there is plenty of private sector financiers and industrialists in France do not - his views are worth listening to. If the Maastricht Treaty on monetary and political union were implemented by EC member states, the European Community would have the legal power, for the first time, to seek to improve industry's competitiveness. Even if last week's Danish vote has thrown the process into turmoil, Mr Strauss-Kahn will be pushing industrial policy hard, both at home and in the EC, in the years ahead.

Mr Strauss-Kahn is a typical member of the highly educated elite that runs France, both in and beyond government. Trained as a lawyer, the former university economics professor was chairman of the parliament's economics commission before becoming industry minister. Fond of good food and skiing, he is married to Ms Anne Sinclair, one of France's best-known female television interviewers. Since his appointment in spring 1991 by the former prime minister, the industrially interventionist Mrs Edith Cresson, Mr Strauss-Kahn has been unusually prominent for a French industry minister - traditionally a low-profile job. In the past, industry strategy tended to be set by the prime minister and finance minister: Mr Roger Fauroux, his predecessor, once said he saw his job as being like the chief execu-

tive of a diversified holding company. By contrast, Mr Strauss-Kahn is one of the thinkers behind the controversial plan to reorganise the French state electronics industry to create an electronics-to-nuclear-energy group, an example of what he means by "co-ordination".

That plan, for a merger of Thomson Consumer Electronics (TCE), the long-making manufacturer of audiovisual equipment and home appliances, and CEA-Industry, a nuclear fuel and reactor group, sparked off a debate in France over how far interventionism should be allowed to go. The project has since been scaled down by Mrs Cresson's successor, Mr Pierre Bérégovoy. Now the nuclear energy group is expected to take a minority stake in TCE.

Yet the fact that Mr Strauss-Kahn kept his job at all under the new prime minister in the April government reshuffle underlines how important industrial strategy remains in France, even after the relative retreat of state interventionism. "Why should the state be more massive than a private shareholder? It can manage well or badly, but it is not being interventionist in itself to try to manage one's assets as efficiently as possible," says Mr Strauss-Kahn.

The minister has no patience with criticisms of the logic behind the proposed link between a maker of washing machines and a nuclear research body. Mr Strauss-Kahn, highlighting two controversial private sector link-ups, says: "Look at Siemens and Nixdorf, or the alliance between Volvo and Procordia. They might be good choices or bad ones, but nobody questions that they are legitimate."

At the same time, he is pragmatic over how far the state should wield influence. He openly admits that state ownership is a second-best solution for companies unable to flourish under private ownership. "I say 'yes' to state ownership not as a matter of principle, but because it is appropriate for a country like France with its history, culture and state of development. Once you have said 'yes' to this question, the behaviour of the state must be that of a shareholder who is as wise as possible, acting in the interests of those who have accorded it power, in this case the whole of the French people," he explains.

State funding, by contrast, is



## 'We cannot take our cue from the markets alone'

vital for projects that are too long term or risky for private companies to handle on their own, such as making the next generation of semiconductors, he argues. In this respect, he believes that the EC gives too much power to its competition authorities, with their repeated attacks on state aid, and has an inadequately developed industrial policy.

Sir Leon Brittan, the EC competition commissioner, who has frequent run-ins over state aid and merger policy with the French government, "is right in theory," says Mr

Strauss-Kahn. "But in practice, the EC is too timid. It has left technology development to the mercy of market forces, he argues.

Certainly, it is harder to decide just where governments have a duty to intervene. "There are no absolute rules to determine what is a strategic industry... What is strategic or not, or what requires intervention or not, does evolve," says Mr Strauss-Kahn.

Of course, it is up to the government to decide what is strategic. Broadly, he sees three kinds of businesses in which governments can legitimately act as guardians of national interests: defence; sectors where technological independence should be guaranteed; and vital supplies such as oil and nuclear energy.

On oil, Mr Strauss-Kahn sees no ideological difference between the French state's desire to wield some control over its oil companies and the way in which the US or Saudi governments defend the interest of their own oil producers. This explains why, for example, the French government is happy to reduce its direct stake in Total, the oil group, to a mere 5 per cent, but will still keep the right to nominate the chairman and vet its international agreements.

There is no doubt that the frontiers of strategic industry are on the move, as shown by the government's programme of partial privatisations, in which it is prepared to sell up to 49 per cent of state-controlled companies.

Revealingly, Mr Strauss-Kahn's thumbnail definition of today's strategic sectors does not apply to huge chunks of current French state industry such as cars, steel, insurance and banking. But he is not naive enough to broadcast in advance which privatisations will follow the partial sales that have already been made at Elf, Total's largest state-controlled rival, and at Crédit

### PERSONAL FILE

**1949** Born Neuilly-sur-Seine. Educated Lycée de Monaco and Lycée Carnot, Paris. University of Paris X-Nanterre, bachelor of law; diploma from Ecole des Hautes Etudes Commerciales.

**1981** Professor at University of Paris X-Nanterre.

**1984** Deputy planning commissioner.

**1988** Socialist member of parliament, Haute-Savoie.

**1988** Member of parliament, Val d'Oise. President of parliamentary finance commission.

**1991** Minister of industry and foreign trade.

Strauss-Kahn, with barely disguised condescension. "But real life is far from the theoretical world in which we would like to live," he says. In real life, he adds, market forces are imperfect: today's sophisticated industrial products tend to emerge more as a result of costly research and development, than in response to consumer demand.

"We cannot take our cue from the markets alone for very long-term or risky decisions." Governments that have lent a helping hand to emerging industries have gained a competitive edge over govern-

ments that have left technology development to the mercy of market forces, he argues.

Local de France, a local authority bank. Yet the case of Renault, the symbol of French industrial policy, does illustrate his general strategy. Here Mr Strauss-Kahn favours the state-owned carmaker's alliance with Volvo, the Swedish car group, because the basic business of carmaking can no longer be said to be strategic. But that does not mean that the government has completely lost interest. Instead, its interest has become more selective, shifting from basic manufacturing to electronic components, for example, he says.

The overall impression is of a pragmatic, sometimes opportunistic approach to industrial issues. Successful or not, the image of French industry policy embodied by the elegant Mr Strauss-Kahn is very different from that of 10 years ago. The aim used to be to keep inefficient manufacturers alive; today, Mr Strauss-Kahn sees his job as nudging the public sector into a high-technology world, in competitive shape.

# Oregon blazes an electronic trail

**A**top the Art Deco Capitol building in Salem, Oregon, a golden statue of a rugged settler symbolises the state's pioneering spirit. The old frontier is closed, but the state's leaders are still finding new trails to blaze.

The hottest idea in American politics is Mr Ross Perot's proposed "electronic townhall". The Texas billionaire and likely presidential candidate believes the US can solve its economic and social problems only if politicians use electronic technology to consult regularly with the people. Barbara Roberts, the governor of Oregon, has already conducted just such an exercise, known as "The Conversation".

When Oregonians elected Ms Roberts, a liberal Democrat, to the governorship 18 months ago, they simultaneously passed Measure 5, a tax initiative that sharply cut local property taxes and shifted responsibility for financing education to the state government. Ms Roberts had ambitious plans for improving state services, but was faced with a prospective budget deficit in the biennium beginning next year of about \$100, or nearly 20 per cent of revenue. She says she undertook state-wide electronic consultations for two reasons. She sensed unprecedented voter unease. "People felt left out... we needed to build trust." At the same time, she believed public opposition to taxes reflected a lack of understanding of the issues. "I felt if they had my information, they would reach my conclusions."

The Conversation took place last winter and worked as follows. On a given evening, 30-50 small groups of citizens were assembled at different locations across the state. They were in two-way audio contact with each other and with the governor. There was also a one-way video link: all the groups could see the governor but she could not see them. Ms Roberts would raise an issue. The groups would discuss it. Then each group would be asked to outline its conclusions.

At the end of the process, the participants filled out a detailed questionnaire. Through such electronic meetings, the governor was able to consult directly with 10,000 Oregonians. She stresses that participants were randomly selected from voter registration lists, thus forestalling one of the objections to Mr Perot's plans - that political activists might dominate electronic meetings. She says the exercise was far more effective than ordinary polling because participants had to think about the issues rather than merely offer an instant, uninformed judgment.

The governor claims The Conversation reached a clear conclusion. The people voiced willingness to pay for essential services, but only if the state government first demonstrated greater efficiency. To fulfil her side of the compact, Ms Roberts is enthusiastically streamlining the public sector. She has announced that some 4,000 state jobs (about 10 per cent of the total) will disappear and plans to close dozens of state boards and commissions. But improvements in efficiency can reduce spending by at most \$300m, about a fifth of the savings needed to balance the books. She has thus just embarked on stage two of her programme, which is to seek support for a radical restructuring of taxes to make up the remaining revenue.

Many Oregonians are dubious about the benefits of The Conversation: the governor recently survived a drive to "recall" her - in other words, turf her out early. Ms Ellen Lowe, a church leader and



MICHAEL PROWSE on America

sions. At the end of the process, the participants filled out a detailed questionnaire.

Through such electronic meetings, the governor was able to consult directly with 10,000 Oregonians. She stresses that participants were randomly selected from voter registration lists, thus forestalling one of the objections to Mr Perot's plans - that political activists might dominate electronic meetings. She says the exercise was far more effective than ordinary polling because participants had to think about the issues rather than merely offer an instant, uninformed judgment.

The governor claims The Conversation reached a clear conclusion. The people voiced willingness to pay for essential services, but only if the state government first demonstrated greater efficiency. To fulfil her side of the compact, Ms Roberts is enthusiastically streamlining the public sector. She has announced that some 4,000 state jobs (about 10 per cent of the total) will disappear and plans to close dozens of state boards and commissions. But improvements in efficiency can reduce spending by at most \$300m, about a fifth of the savings needed to balance the books. She has thus just embarked on stage two of her programme, which is to seek support for a radical restructuring of taxes to make up the remaining revenue.

Many Oregonians are dubious about the benefits of The Conversation: the governor recently survived a drive to "recall" her - in other words, turf her out early. Ms Ellen Lowe, a church leader and

advocate for the poor, sympathises with the governor's aims but says the electronic meetings failed to discuss the main issue, which is the need to bring Oregon into line with other states by introducing a sales tax. Instead, they degenerated into an exercise in bashing government.

Mr Bill Wyatt, president of the Oregon Business Council, which represents chief executives, says Ms Roberts has not persuaded most business leaders of the need for higher taxes. But he claims The Conversation was an "outstanding idea" which was less effective than it might have been because of lack of resources. He contrasts her unconventional approach favourably with that of Governor Lowell Weicker in Connecticut. Facing a similar fiscal crisis, Mr Weicker forced through legislation for an income tax by "putting a gun to the head of the legislature". The public reaction was an explosion of rage.

Mr Wyatt believes electronic consultations that try to educate voters while providing direct feedback for politicians represent the future of American politics. "The technology is there. The question is only the role that it will play."

It is a coincidence that the first large-scale attempt to consult electronically with the people was conducted by a woman? Governor Roberts, whose trim appearance and no-nonsense style remind one of the younger Margaret Thatcher, says not. "I think women lead differently. They are consensus builders. They don't need to find scalps."

With a female governor, and with women instrumental in pushing through radical reforms of both health care and education, Oregon is at the forefront of another national trend: a drive by women to play a bigger role in state and national politics. The combination of female politicians and electronic townhalls could prove potent. You never know, President George Bush's hopes for a "kinder, gentler America" might even be realised.

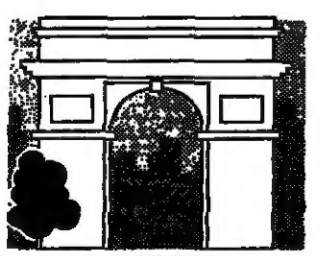
# End of the single gospel

**W**hen the Danes voted against Maastricht last week, the other 11 member governments sternly declared that there could be no question of renegotiating the treaty. They would, wouldn't they? After so much sweat, the natural reflex is to put the frighteners on the Danes, and hope they change their minds later this year. If the 11 once open the door to renegotiation, the treaty would unravel faster than Penelope's knitting.

In a situation of profound disarray, this is a reasonable improvisation: doing nothing looks like standing firm, it is an easy basis for unanimity, and it seems to gain time. But if the Danish people do not change their minds, it is the 11 who will have to think again.

Some quick minds in the Community circuit have already started to think again, and are touting various power plays to force through the implementation of the Maastricht Treaty, regardless of the Danish verdict. One such scheme is to drive the Danes out of the European Community: if they do not want the new Europe, they should at least allow the rest to get on with it. Alternatively, the 11 should denounce the Community's existing Treaty of Rome, and set up house next door in a brand new structure which just happens to be the Treaty of Maastricht.

I do not know if these muscular fantasies are seriously meant, but they will not do.



IAN DAVIDSON on Europe

There is no legal basis for driving the Danes out of the Community, nor for denouncing the Treaty of Rome. Even if the Danes could be bounced into withdrawing, that would be a fearful omen for the new Europe, whose central characteristic is that it is based on democracy and the rule of law, not on ruthless intimidation by a gang of toughs. This would not be the kind of Community any civilised country should want to join. If the Danes, why not the Greeks? They are far more deserving of eviction. If it comes to that, why not the British?

If the Danes do not quickly change their minds, the standard position announced last week in Oslo will lose all plausibility. For a few months, perhaps, the French can push ahead with the revision of their constitution, as if nothing untoward had occurred; but they will be running a fearful risk if they then call a popular referendum to ratify a treaty whose legal credibility is holed below the water line.

And yet: the 11 did not let

the British prime minister, John Major, prevent them from fixing the target of a single currency, nor from adopting a social charter. The very idea that Danish voters should totally block the rest of the Community from moving to a new phase in the integration of Europe is clearly inadmissible.

The problem is that the Maastricht Treaty is not a self-standing agreement, but a far-reaching modification of the Rome Treaty. Here is the crux of the dilemma: is Maastricht a seamless gospel, perfect in all its parts, which cannot be touched without destabilising the whole structure; or does it contain discrete nuggets which can be dug out and encrusted in one or more new Communities?

It is easy to see why the 11 refuse to appease the Danes in a renegotiation of the terms of the Treaty of Maastricht: they would all then have to renegotiate the treaty to appease their own anti-marketisers as well. The attack would be led by the Germans; and before you could say Jacques Delors, the Treaty of Maastricht would have disappeared in a cloud of smoke.

But a strategy of disaggregation of the treaty need not involve any substantive renegotiation. All the provisions dealing with economic and monetary union could be stripped out and incorporated in a self-standing treaty; there could be another treaty for foreign policy, security and defence; there would be a

social charter, and each of these new Communities might have different memberships.

This was the way of the world before the Community came along: Gatt was for trade, IMF for balance of payments, OECD was for the rich, Nato was for the west. In the past, orthodox Community dogma was that all members must be full members of everything. The central question facing the Community in the wake of the Danish referendum, is this: does the old orthodoxy of a unitary Community become more compelling in the projected new phase of more intense integration? Or does it, on the contrary, become less compelling because not all members are willing or able to keep in step, and because many new countries want to join?

Not even The Economist could produce a sweeping one-word answer to this dilemma; it all depends on what kind of Community you want, and how far you want to go. Some, like Peter Lindlow of the Centre for European Policy Studies in Brussels, see the Maastricht Treaty as an integral whole, managed by a single institutional framework. But others believe the Community must become multi-speed, with an inner political core, because 20 or 30 members will stop it dead. Manifestly, there would be no point in a foreign and security policy to which the Irish, Swiss, Austrians, Swedes and Finns could subscribe; or the Danes, for that matter.

### JOTTER PAD

Are you a business angel?

Venture Capital Report (est 1978) vets and writes up existing and start-up companies seeking investors.

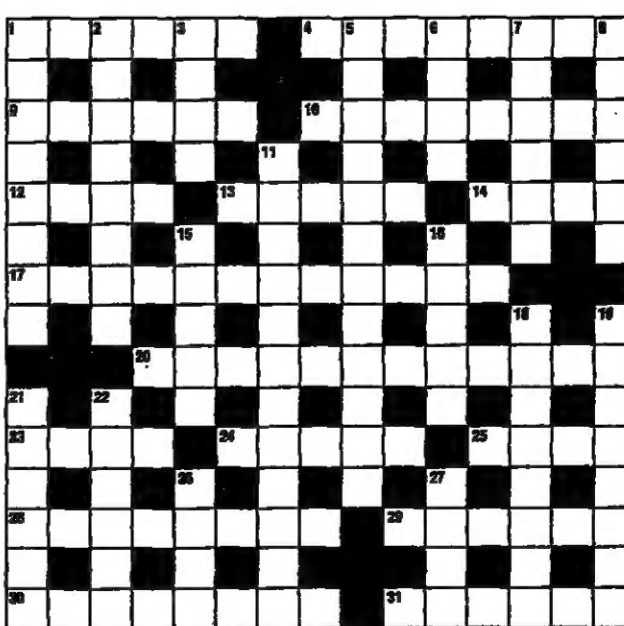
For a two month free trial subscription call:



0491 579999

### CROSSWORD

No.7,867 Set by QUARK



#### ACROSS

- In punishment it's limited (6)
- It's very fragile and prompts a state of misery (8)
- Gather a crowd, we hear (6)
- Pride etc goes humbling? Feeble (6)
- Bird seen in the Bernese Alps (4)
- Metal frame right in the entrance (6)
- Let go, as there's no change (4)
- Company store with changes, serving to make amends (12)
- Din upset 1 across in the city endlessly (12)
- Mark's back at school (4)
- Confuse the composite (6)
- Medal that could be struck (4)
- A Channel Island constant expense for environment blight (4,4)
- Car in a mess? Could be a sort of tobacco (6)
- 30P? We'd not off in the plant (8)
- Lots of nameless idiots (6)

#### DOWN

- Dance for fire-servicemen (6)
- Anne and Mick, perhaps get a familiar title? (8)
- Not slack but educated, they say (4)
- Make them to achieve rapid progress (5,7)
- Old vessel follows the sun to island (4)
- Former partner has wine to sell abroad (6)
- Issue a bin for it (6)
- Ill-tempered Test? Ask searching questions (5,7)
- Some hope on yellow flower appearing (5)
- Gold piece in the range (6)
- Note earth rising. A stone, possibly (8)
- Success split in the field? (3,5)
- Go for the month's measure of current (6)
- The preparation for lot "number one" coming up (6)
- Second line seen on the face? (4)
- The dash in the cabriolet (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 20.

Free  
limousines  
to  
the USA.

With Virgin your Upper Class journey starts before you even take off. A chauffeur driven car will take you to the airport free from anywhere in the home counties.

And if you're flying to the States a car will meet you at the other end. On your return, a car will be waiting to take you home.

What's more, Upper Class also gives you a first class sleeper seat, award winning food and a free economy ticket every time you fly.

No wonder we were voted Airline of the Year for the second year running. For full details call 0800 747 747 or see your travel agent.

Upper Class Virgin atlantic

£22,000,000

**NORTHERN ROCK**  
BUILDING SOCIETY

Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from June 5, 1992 to December 7, 1992 the Notes will carry an interest rate of 11.30% per annum. The interest payable on the relevant interest payment date, December 7, 1992 will be £2,855.97 per £20,000 Note and £28,559.74 per £200,000 Note.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank



June 8, 1992